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Value Creation Mechanisms in the Contemporary Art Market

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by

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DEDICATION

I dedicate my humble effort to the people in my life who encouraged and guided me in their own special ways: my teachers, my parents, my husband and my son.

ABSTRACT

As marketing theory has evolved, value co-creation has taken center stage in exchange processes. The goal of this dissertation, situated at the intersection of market systems and the visual art market, is to generate a deeper understanding of the fundamentals of value co-creation at the level of practice, in part because the visual art world is organized as a Bourdieusian field of cultural production with its own set of rules, narratives, individuals and institutions. While individuals can effectively position themselves in this field to accumulate social capital, they are inextricably linked to others. Hence, it is imperative to understand the relationship between them. In fact, sociologist Howard Becker's famous definition of the "art world" is premised on it being a network of people whose cooperative activity and joint knowledge produces art. That is, art is more than just paint on canvass. (I use the terms "art market" and "art field" in this dissertation similarly to Becker's notion of the art world.) The art market might look disorganized and disconnected from the real world to the uninitiated. However, extensive research by renowned scholars indicates that just like any other social field, artwork is produced and distributed via a network of interacting actors that share joint conventional knowledge. The interaction between actors follows processes (also called mechanisms) and defined logics, leading to the co-creation of value. In this study, I focus on value co-creation mechanisms between the two most important actors in terms of their social legitimacy: artists and gallerists. I further analyze the mechanisms at the level of practice—routinized ways of understanding the world—to parse the motives that exist in the art market. When examined from an institutional approach (as in the past), these motives appear to be bifurcated into creating arts for art's sake versus creating art for commercial success. When examined from a practice-level approach (as in this study), there appear to be a wider array of motives that provide structure to artist-gallery relationships. In Part I of the study, I look at these motives and the relationship types in developing markets, where gallerists and artists can generally command similar prices. The relationship types are as follows: (1) "Artist's Agent" relationships are indicative of high-status and act as taste makers in the art market; (2) "Real Estate Agent" relationships follow the practices typical of profit maximizers; and (3) "Low-end Specialty" relationships deal with low-status actors at low price points. Interestingly, it is not just the mix of value creation mechanisms that is different across relationship types. Each relationship type implements the constituent practices differently, even when the basic value creation mechanisms (e.g., credentialing, reputation-building) are the same. In Part II of the study, I look at which of the relationship types are robust to the exogenous shock of COVID-19. I find that Artist's Agents emerge as the most successful relationship type. Also, artists in the Low-end Specialty relationship type experience a surge in demand for commissions directly from customers. Most galleries in the Real Estate Agent and Low-end Specialty relationship types shut doors.

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CHAPTER 1

INTRODUCTION

Plenty of research has been conducted since the 2010s on contemporary visual artists and the intermediaries they rely on for distributing their work. The artists typically choose among a variety of dealers, agents, galleries and brick-and-mortar channels (Kottasz and Bennett, 2014). Due to the way art is valued, the visual art market provides a rich context in which to address the economic actor bias (i.e., an almost exclusive focus on consumers and producers) that plagues conventional marketing scholarship (Preece et al., 2016; Giesler and Fischer, 2017). Because the utilitarian value of art is minimal, actors other than the producers (artists) and consumers generate much of its economic and symbolic value. That is, intermediaries do much to legitimize artwork. Outwardly, art's limited functionality might suggest that the art market is disorganized and alienated from the everyday world. However, Bourdieu shows that it is a field of cultural production, structured like other fields with identifiable rules, actors and discourses (Bourdieu, 1984; Bourdieu, 1993; Bourdieu et al., 1995; Bourdieu, 1996; Webb et al., 2002). Danto (1964) propounds that artwork moves through channels of distribution regulated by "a certain theory of art" which is fine-tuned by marketplace intermediaries and used by the audience to differentiate art from non-art. Becker (1982) further explains that artwork is produced and consumed collectively via a network of people sharing joint conventional knowledge. This in turn has led scholars to further explore these networks in terms of their constituting actors, underlying processes, governing logics, and co-created value

(Kleinschafer et al., 2011; Rodner and Thompson, 2013; Rodner and Kerrigan, 2014; Preece et al., 2016; Lee and Lee, 2017; Wickham et al., 2020). Notably, research on networks employs a market systems approach that focuses on social mechanisms for generating value for the arts. Value is co-created through the relationships between the artist and other actors, some of whom are especially privileged in value co-creation, depending upon their social legitimacy (Bourdieu, 1996). Among them, dealers/gallerists have the requisite social legitimacy to send the most important and trusted signals of value in the art market (Preece, et al. 2016).

My dissertation focuses on this relationship between artists and gallerists to further unpack value co-creation. Rather than focus on underlying processes, it focuses instead on specific practices that connect these instrumental players. My goal is not simply to provide more granular insight into the mechanics of value co-creation. It is to parse the artists' and gallerists' motives in the art market. Using an institutional/firm-level approach, such as that employed by Ertimur and Coskuner-Balli (2015) suggests that the art world (field) has two competing motives/logics: creating art for art's sake versus creating it for commercial success (Webb et al., 2002). I indeed find evidence that the artist-gallery relationships align with these two motives. However, I also show additional logics that are apparent in specific, relationship-defining practices. I define practice in greater detail in the subsequent sections, but I use Reckwitz's (2002) definition that delineates it as routinized way of understanding the market. These logics structure artist-gallery relationships, which I further classify into types. Part I of this dissertation focuses on defining and illustrating an array of artist-gallery relationship types in a developing art market, and Part II specifies which relationship types matter most for gallerist survival in the face of an exogenous art market system shock, the COVID-19 pandemic. The relationship types that I uncover in part I contain in them logics of survival (and/or "value") for artists and gallerists. In fully developed markets, survival for gallerists hinges on their size, an indicator of access to resources. However, in developing markets where galleries are largely similar in size and command similar prices, access to resources does not distinguish. Hence, in Part II, the pandemic helps reveal which relationship types (and hence, logics) are robust to shock.

To provide context, the pandemic forced many businesses into the e-commerce space. In many industries, including retail, publishing, banking, media, and travel, web-based technologies long ago transformed business (Preece and Johnson, 2014). However, the visual arts have been slow to adapt e-commerce (Lee and Lee, 2019). In 2019, online sales in the sector were just 7.5% of the global art sales, with only single digit expected growth (Gyorgy, 2020, p. 3). Hence, when COVID-19 struck and forced the world to shift online in March of 2020, the art market's future looked bleak. Art galleries across the US saw an overall revenue loss of 31% in the first quarter of 2020 and due to a generally pessimistic outlook, projected an overall gross revenue loss of 73% in the second quarter (The Art Dealers Association of America, 2020). The COVID-19 developments that led to the bleak projections included closure of physical spaces, reduced participation in art fairs and a general reduction in business activity. And yet, in the first seven months of 2020, the art market outperformed ten major asset classes and the drop in sales was far less than expected (Citi GPS, 2020). According to an industry report, the average US dealer/gallery year-on-year sales declined by only 11% by the end of 2020 (McAndrew, 2021). This raises the intriguing question of how, a sector that might reasonably have been obliterated by the pandemic remained resilient. Certainly, galleries across the art market were not evenly affected. And one might suspect that only the top-tier galleries were well equipped to spearhead a rapid digital transformation while others suffered massive losses. A snippet from the Citi GPS (2020) report insinuates as much, and this is not wrong so far as it goes. The large galleries in developed markets like New York and Los Angeles forged partnerships with smaller galleries to support them during the pandemic. Large galleries have economic resources and the symbolic capital that buyers need to legitimize high-priced artwork. And, as demonstrated by Lee and Lee (2019), the online art market follows the valuation system of the offline art market. In fact, some were already benefitting from successful online initiatives prior to COVID-19 (e.g., Kinsella, 2019). Hence, it should not surprise that the top-tier galleries in developed markets were reasonably robust to an external shock. Yet, galleries in emerging markets simply cannot claim top prices. So, that cannot explain their survival. Some galleries in developing markets have not only survived the onset of COVID-19 but have thrived. Some have of course shut their doors while still others are barely scraping by. To paraphrase Murray (1971), what seemed to be a single price related phenomenon at the outset is in reality composed of assorted heterogeneous elements. In fact, according to McAndrew (2021), galleries with a lower inventory turnover (i.e., selling less art) reported a less steep year-on-year decline in 2020 than those with a turnover greater than $5 million across all U.S. markets.

The artist-gallery relationship types that I unpack in Part I of this dissertation pave the way for parsing the heterogeneous elements that explain the varied outcomes in the face of an exogenous shock. Hence, Part II of this dissertation entails finding the value co-creation practices that the galleries engage in with their represented artists that are robust enough to survive the pandemic.

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CHAPTER 2

PART I

THE UNIQUE CASE OF THE VISUAL ART MARKET SYSTEM

Artists constantly strive to project their artwork such that it can be appreciated in the market (that is, attain commercial appeal) without "selling out" by being overly responsive to consumer desires. The art field is wrought with this conceptual dilemma of producing commercial art juxtaposed against creating 'art for art's sake', a motivation that is highly venerated among artists (Hirschman, 1983; Fillis, 2002; Larsen and Kerrigan, 2018). In addition, researchers show that rather than engaging in a standalone activity, artists employ coordinated undertakings with a variety of actors in the art market system to create artwork through a collective process (Becker, 1982). A strict neoclassical explanation for this is likely to undertheorize the complete set of negotiations that go on between the various actors in the art market system and the motives that underlie them because it defaults to a profit maximization motive, as used by arts research in economics that focuses heavily on art pricing at auctions (Granovetter, 1985). I argue that art intermediaries perform the decisive balancing act for the artists by resolving the existing tension between generating art for art's sake versus commercial success. They negotiate and translate value with the artists for the customers (Beckert and Rössel, 2013). The art market is unique in the sense that the quality of an artist's work requires external social validation, as there are few objective indicators of the same (Webb et al., 2002; Beckert and Rössel, 2013; Marshall and Thach, 2014; Preece et al., 2016). Thus, to a degree that is uncommon, the visual artist‘s commercial success is in the hands of intermediaries that provide precisely this kind of validation. They play the role of market educators by assigning meaning to art and generating a desire for it (Lash and Urry, 1994). It is important to note here that I will use the term “art market” in this dissertation as synonymous with the Bourdieusian “art field” and Becker’s “art world”. In fact, another term that has been used by some of the informants that is similar to the “art market” in terms of definition is the “art machine”. Rodner and Thompson (2013) in their paper define the art machine as a mechanical network of dependencies between the various actors in the art world (including, but not limited to artists and gallerists) that benefit from the symbolic and financial value for art created by their overlapping roles. Examples of roles include placement of artwork within a cultural context by intermediaries, funding by the government, and dissemination by businesses.

Existing research that explores the crucial role of art intermediaries focuses on large (nonprofit) museums (Hansmann, 1980; Bhattacharya et al., 1995; Alexander, 1996; Rodner and Preece, 2015), high profile (profit-driven) auctions, such as Sotheby’s (Galenson, 2005; Thompson, 2010; Adams et al., 2020), prestige-driven prizes such as the Turner Prize (Penet and Lee, 2014) and art galleries (Velthuis, 2007; Marshall and Forrest, 2011; Prinz et al., 2015). While the museum focus obscures the fact that far more art is purchased at galleries at wildly varying price points, the focus on auctions and prizes is purposely narrow to accommodate the materiality of profit via prestige. Yet of all the intermediaries, the market making abilities of gallerists are the most important for marketing research because they are seated in a space where all types of negotiations take place. They enable different motives to be co-constitutive in the same market system. The gallerists not only translate price, but also produce different types of values in conjunction with the artists. Unfortunately, it is this aspect of relational value co-creation at the level of practice by gallerists and artists that current literature undertheorizes.

To understand the mechanisms by which intermediaries (in this case, gallerists) create value for artists and customers at the level of practice, I utilize a market systems approach. It is well-equipped to study relationships, as its grounding assumption is that the market systems operate via negotiations between individual, organizational, and institutional actors (Granovetter, 1985; Dobbin, 2004). According to market systems theory, markets can be considered as a cluster of relationships that enable goods to move through them. This approach to theorizing can accommodate actors with multiple motives in a way that the neoclassical approach (the traditional way we study channels and art markets specifically) fails to do. The purpose of Part I of the research is to develop a deeper understanding of how value in the channel is produced relationally to parse the motives and their corresponding artist-gallery relationships that exist in the art market. Recognizing the various motives and their underlying value creation mechanisms and practices from a non-institutional perspective is a big step in the direction of determining their commercial success. I take it a step further in Part II of the research, wherein the practices are put to test in the context of the exogenous shock of COVID-19.

As one artist in the foregoing study noted, the art market system is like a machine comprised of artists, intermediaries, and buyers. In this project, I disassemble this machine to explore the most crucial actors that make it run and the negotiations that oil it. The following pages delineate the factors involved in the artist-gallery relationships in two emerging markets that differ from developed markets in terms of size, pricing strategies and traffic volume. The paper draws on 48 in-depth semi-structured interviews that lasted between 15 and 150 minutes with artists, gallerists and industry experts, such as editors of art newspapers conducted primarily in the two aforementioned markets.

CHAPTER 3

PART I

THEORETICAL BACKGROUND

To briefly restate, part I of this dissertation parses out the types of artist-gallerist relationships that exist in the visual art market system at the level of practice. My analysis builds on prior contemporary art research through its emphasis on relational features of the art market systems. Below, I summarize where and how this study departs in focus from prior studies.

Visual art market: The important role of intermediaries

Before getting started, it is worth noting that opting for the visual art market as the context of the study places a substantial focus on intermediaries, as opposed to the over-explored customers and producers, and has an influence over the subsequent theorizing (Giesler and Fischer, 2017). As we move away from the almost exclusively explored consumer and firm-level research to examine negotiations among a broader set of stakeholders, our understanding of market systems advances (e.g., Humphreys, 2010; Visconti, et al. 2010).

In the visual art market, the intermediaries can include art critics, galleries, dealers, curators, auctioneers, agents, websites and artist's representatives (Heinich, 2012; Kottasz and Bennett, 2014). These intermediaries, along with the artists, are considered as the representatives of the art field (Marshall and Forrest, 2011). Like artists, intermediaries are specialists, insofar as they possess the requisite technical and cultural knowledge needed to assess the quality of artwork produced by artists (Zorloni and Ardizzone, 2016). This assessment is imperative to judge the investment potential of the artwork and it is different from the subjective valuation of the customer (Gutner, 2005). Hence, the customer continually seeks reliable information from intermediaries to make sense of the quality of the artwork. The intermediaries thus develop order and exert social control in a market that is highly dependent upon social definitions and subjective experiences (Marshall and Forrest, 2011).

Galleries (and their formal associates such as dealers) are one of the most prolific intermediaries. According to Clarke and Flaherty (2002), they include both brick-and-mortar and online stores. Most galleries use a consignment model to represent artists, wherein they take up to a fifty percent margin on sales of the artists' work (Marshall and Thach, 2014). Studies in the art field indicate that the role of galleries goes well beyond the displayer of artwork. Galleries cultivate the market with the artists for the customers. The powerful combination of a wide price range of offerings, varied reputation, and limited barriers to entry or exit puts galleries at the exact right place for forming associations with artists across a spectrum of motives and cultural capitals. So, they are perfectly situated to have the most profound impact on the artists. Interpersonal processes between gallerists and artists directly affect the determinants of artwork valuation (Heinich 2012; Prinz, et al. 2015). Some noteworthy determinants include legitimization of the artist's work by the gallery, the artist's brand built over time by the associated gallery and vice-versa, market exposure and integrated marketing activities (Joy, 1998; Zorloni, 2005; Marshall and Forest, 2011). These determinants form the basis of value co-creation mechanisms that I delineate in the subsequent sections. In a sense, galleries can be equated to institutions as they are enduring elements in social life that have a profound effect on the thoughts, feelings, and behavior of artists (Lawrence and Suddaby, 2006). Interestingly, galleries and artists differ in the extent to which they adapt some of the aforementioned processes. For instance, while some galleries follow an all-inclusive approach with their represented artists, others alienate them (Bradshaw et al., 2006). Part I of my study focuses on the interpersonal practices between the galleries and artists and the types of artist-gallery relationships that emerge as a result. In other words, although value co-creation processes are the same across the relationship types, the constituent practices that underlie them differ. In this project, I take a meso-level analytic approach to explain the 'what', 'how' and 'where' of these market-negotiated relationships, whose value is quintessentially social.

Value co-creation: A meso-level practice approach

It has been established that production and dissemination of art is a result of the cooperative activity of the actors of the contemporary art market. Since there has been a greater emphasis on intermediaries as the choice of actors to study the art markets (as compared to other fields), the social ties formed by the intermediaries with the other actors hold prominence in the art market networks. When a meso-level approach is adapted in such a setting, these social ties are examined in detail. In other words, the meso approach looks at topics such as the production of art through the cooperative activity of the networks of art field members (Becker, 1982; Rodner and Thompson, 2013; Preece et al., 2016; Wickham et al., 2020). This cooperative activity between two or more actors/ members produces symbolic and/or financial value, such that the process is called value co-creation (Gummesson et al., 2014). This approach provides additional insights as compared to the macro and micro approaches, as the former looks at large scale social processes such as artwork evaluation on the basis of non-market forces (Harrison, 2009; Joy and Belk, 2019) and the latter covers small scale individual issues such as the role of key players in the art field (Chartrand, 1990; Meyer and Even, 1998; Cowen and Tabarrok, 2000; Chong, 2008) and the pricing decisions by various actors in isolation from one another (Velthuis, 2007; Candela and Scorcu, 2001; O'Neil, 2008).

In my research, I specifically unpack the set of tacit rules that are followed by value co-creation and term them as value creation mechanisms. I study these mechanisms and their associated practices in the artist-gallery relationships, as studying relationships enables us to get to the social mechanisms behind the value creation (Arnould and Price, 2006; Lee and Lee, 2017). To that end, I extend sociological research on market systems by demonstrating how multiple logics are created at the level of the practices taking place between artists and gallerists whose social position, negotiation aims, and tactics might vary based on market characteristics. In the next section, I elaborate on the research methods used to collect data for my research.

Summary. In a scenario that involves interactions among multiple actors, it is best to adapt a market systems approach, which treats a market as a cluster of social relationships that enable the movement of goods through them. By using this approach, I can study artist-gallery interactions at the level of practice to parse out the various motives and relationship types that exist in the art market system. In the art field, intermediaries perform the crucial role of providing external social validation for the artists' work, as there are few objective indicators of value. Customers seek the technical knowledge of intermediaries to either judge the investment potential of the artwork or make sense of the quality of the artwork. Of all the intermediaries, including but not limited to critics, museums, dealers, gallerists, and auction houses, the market making abilities of gallerists are the most important. This is so because they are situated in a place where various kinds of negotiations at multiple price points take place.

CHAPTER 4

RESEARCH METHODS

A. Setting

1. Two cities. I explore the relational processes in two emerging art markets that belong to the southeastern United States, Midlandia and Baxton, such that both metropolitan areas have a population greater than 700,000 but less than 1,000,000 as of 2016. In the art world, an emerging market features relatively unknown artists and relatively inexpensive art (Thompson, 2010). It is not necessarily synonymous with developing economic markets insofar as emerging art markets can be located anywhere. Emerging markets differ from developed markets in terms of the number of intermediaries present, pricing structure of artwork, sophistication of customers and the extent of collaboration between artists and gallerists (Kharchenkova, 2018). More specifically, Midlandia and Baxton include a large number of artists and gallerists who mostly sell locally in the price range of $200 to $5000, lack long-term ties with each other and price artwork arbitrarily with a commercial motive. Very few have an international representation, that is, they do not display work internationally. According to my data, the impulse buying price point for artwork in Midlandia is around $30 and in Baxton it is around $300. To place an anchor, the price point in New York is $1200.

2. Context (Markets for Paintings in the Deep South). Since the colonial era, the southeastern United States (by which I refer to the former Confederate States from Virginia to Florida along the coast and as far west as Alabama and Mississippi) is believed to have played an insignificant role in producing art due to its non-conducive weather for preserving artifacts, penchant for natural disasters, and historical commitment to slavery (McInnis, 2005). Although the South is still stigmatized as a region that produces nothing of artistic merit, Baxton fights against this description tooth and nail while Midlandia offers only token resistance. Since the relationship between actors and their sociocultural and institutional contexts is theoretically important, Midlandia and Baxton, though both emerging markets, vary from each other on numerous dimensions. To wit, local artists in Midlandia must factor the comparatively low collector sophistication and price sensitivity prevalent in the area directly into their price formulations. Although this allows me to observe how value is generated by artists and gallerists in different types of emerging markets, it needs to be seen whether the differences are prominent enough to warrant separate consideration. I detail more features of the two markets in the next section.

Local art market in Midlandia. Cities are standalone units that can be considered as the central node for artistic expression (Currid and Williams, 2010). Depending upon the development strategy of the city and policies of the local government, art and culture are given variable importance (Fainstein, 2001). In Midlandia, the art market is constrained for both artists and art organizations. According to Arts & Economic Prosperity, a 2017 economic impact study, Midlandia ranks 157 out of the 341 study regions in terms of the estimated total spending by the nonprofit arts and culture industry in the city. This industry generates nearly $64 million in annual economic activity, supporting 2630 full-time equivalent jobs and generating $7 million in local state and government revenues. (A comparison to Baxton is provided elsewhere.) There is limited funding and little involvement of private organizations and national level corporations. As drawn from an article in the local alternate weekly about how to fix the unexceptional art scene in the city, an executive director of a nonprofit feels that unlike in other places, this city has very few people who truly represent visual artists in terms of showcasing their work and offering artist exchanges (Lawrence, 2019). Midlandia is widely understood to be poorly developed, but opportunities are not completely dead. The city strives for diversification in visual arts. Though there is a perceived inferiority in the city that is consistent with the regional stigma, art patrons understand that the way out is to have a positive self-perception. The city has an increasing number of young emerging artists (i.e., lacking a national reputation) because it is in a state capitol with numerous colleges and universities that attract a lot of students, both national and international. Most artists sell their work locally and in other nearby art markets. Art in Midlandia is generally inexpensive. A person can walk into nearly any gallery and purchase original artwork for $100-$1000. And, since most artists are emerging, they do not typically have a long-term relationship with galleries.

Most galleries in Midlandia have large dedicated display space, typically spread out over multiple rooms or stories, more than galleries in Baxton. This may be due to the low cost of living and low property tax rates in the city. The revenue generation model of most Midlandia galleries is such that selling original artwork forms a small percentage of total revenue. Other sources of income include renting out floor space for events, selling art supplies and producing customized frames.

Local art market in Baxton. Baxton is a famous tourist city on the eastern coast of the US, with a cultural blend of traditional Southern US, English, French, and West

African elements. The current standing of Baxton as an arts town can be assessed from the rubrics used for the 2019 Arts Vibrancy Index by SMU DataArts, the National Center for Arts Research. Although Baxton is not among the top 10 mid-size art communities at the time of writing, it would be with better government grant support for the arts (Hogan, 2019). It scores high on the other main index criteria, including the number of arts providers, the total nonprofit dollars in the community, employment percentage, household income, and other leisure offerings (Hogan, 2019). Hence, Baxton can be suitably characterized as a fast-emerging art market.

According to Arts & Economic Prosperity, it ranks 96 out of the 341 study regions. The nonprofit arts and culture industry in the city generates nearly $187 million in annual economic activity, supports 6,744 full-time equivalent jobs, and generates $19 million in local state and government revenues (Hogan, 2019). The city is home to one of the most famous art festivals in the country, which lasts for 17-days and features over 100 performances by individual artists in a variety of disciplines. The number of artists and galleries here exceeds those in Midlandia, despite having a similar estimated population. There is an influx of both non-local artists and customers since art in the city is very well valued and has an elite market representation. There are several established artists in the city, and a majority have a long-term relationship with a gallerist.

Although this data suggests that Midlandia is a slow-emerging market and Baxton is a fast-emerging one, I do not analyze data separately as there is significant overlap in prices and the artist-gallery variety. Analyzing them together ensures a comprehensive representation of emerging markets. Thus, I organize findings around themes that cut across the two cities and present them together.

B. Procedures

I spent more than two years in the field, from February 2019 to May 2021 conducting interviews and site visits at galleries. I used fieldwork and interviews as the primary data collection method. Prior research suggests that artists and gallerists associate the price of artwork with their reputation (O'Neil, 2008). But they are less certain about the everyday relational practices that lead to the accumulation of the symbolic capital, which is more diagnostic than price in emerging markets. Fieldwork and interviews are well-suited to uncovering such practices.

Before entering the field as a researcher, I had experience with participating in an art exhibition in the capacity of an artist, selling my artwork directly to customers without the help of galleries and displaying my work at a souvenir shop. Even though these activities are indicative of a low cultural capital in the art market, they helped me get perceived as an insider during interviews. The informants believed that I had first hand knowledge of the functioning of the art market and divulged insights that they otherwise might have concealed from the unaware. Also, since I conducted interviews in the capacity of a doctoral student in business, some informants were curious about my take on the market and engaged in animated conversations. Informants generally perceived me as an easygoing non-threatening female in her early thirties that they could allow in their workspace. Although my age and gender helped me in breaking the ice, my Indian ethnicity at times prevented me from understanding non-verbal social cues and subtleties that might be apparent to an American.

Most of my interviews and fieldwork were in-person prior to March 2020. However, after the pandemic started, I conducted virtual interviews and visited online viewing rooms. I conducted a total of 48 in-depth interviews (18 in-person and 30 online) with 17 visual artists, 23 gallerists and eight others, including journalists, art professors, and membership organizations having multiple galleries or artists under their wing. The artists identified themselves as actively trying to sell their art in the contemporary art market. The gallerists interviewed represented commercial or nonprofit art centers. The informants primarily lived in Midlandia and Baxton. A few were included from other reputationally comparable emerging markets, with the planned purpose of diversifying the sample in terms of experience and commercial success. Unless otherwise noted, pseudonyms have been used to identify people, places and events. Also, to get broader institutional perspective on the art market, I collected secondary data from prominent journalists to see how my findings connect to the existing external understanding of relationship types and practices.

I recruited the interviewees using Snowball sampling widely utilized in CCT research. I initially contacted a group of artists after viewing their work on display in traditional settings such as art events and galleries as well as in non-traditional settings such as the Internet and art clubs. After interviewing an initial set of artists, they were asked to recommend other local artists. Subsequent artists were interviewed based on the recommendations of the initial artists (Glaser and Strauss, 1967). Since the start of the pandemic, I re-interviewed the artists who were available for comments, totaling six in number. Initial gallerists were recruited for interviews after visiting their gallery premises in the pre-COVID era and reviewing them through various online sources since the start of the pandemic. Subsequent galleries were recruited based on recommendations of the initial gallerists. Only one gallery was common across interviews conducted both before and after the COVID-19 intervention. I contacted the other actors such as membership organizations based on multiple strong recommendations from various artists and galleries. They served as key informants, providing a big picture of the art market based on their rich experience and considerable understanding.

The in-depth interviews were semi-structured in nature and approximately ranged from 15 minutes to 150 minutes. Since informants were primarily working professionals (often at work in the case of gallerists), the discussion time with them was truncated as compared to the duration of typical interviews in the field. Informants responded to a series of open-ended questions, modified for artists, gallerists, and other actors. The interview data was supplemented by observations at art fairs and on-site in galleries till March 2020, along with notes compiled from public discussions at a City Council arts event. Post the start of the pandemic, notes included details from relevant podcasts, online forums and virtual viewing rooms. To provide an estimate, there were 23.5 total hours of interview recordings, 940 pages of transcripts, and 100 additional pages of field notes. To assist in describing the variety of relationships, interviews were transcribed and coded inductively. The analysis that follows is based primarily on the interview data and field notes.

CHAPTER 5

PART I

FINDINGS

Elisa, a veteran art journalist quips, “Something that I have always considered in my journalism, and that has really confounded me even since I was a student, is how people have this very romantic, almost religious idea of what art is. And with that fantasy in mind, kind of fail to look critically at the mechanisms that make up how it works in society.” This quotation acts as a lens into the gaps that are addressed by Part I of my study. Here, mechanisms refer to the processes that members of the art field engage in amongst themselves to co-create value. As marketing theory has evolved, value co-creation has taken center stage in exchange processes (Özdemir et al., 2020). In this section, I identify value creation mechanisms between artists and gallerists to unpack three types of artist-gallery relationships that function through these mechanisms. Each relationship type follows a different set of practices under the value creation mechanisms.

Artists-gallery relationship types generate value by the following value creation mechanisms, which are embedded in everyday practices. I briefly summarize next: (1) credentialing; (2) reputation building; (3) providing a place of display; (4) cultivating artists; and (5) cultivating customers.

Credentialing for art. To understand the significance of credentialing in the art market, it is worthwhile to examine the consequences of education credentials in the contemporary labor market. Education credentials primarily refer to a degree from an educational institute that acts as a ‘signal’ that is at the forefront of employers’ minds during hiring decisions (Gaddis, 2014). Even though Gaddis focuses on racial inequalities, a major takeaway is that a degree from an elite higher-education university as a form credentialing increases the likelihood that an employer will respond to a job application with an offer for an interview. Quadlin (2018) offers a more comprehensive definition of credentialing in the context of how academic performance and gender affect employment outcomes. Credentialism refers to the theory wherein a college degree acts as a mark of membership in an elite group. Interestingly, it is not necessarily an indicator of technical skills. Since employers have relatively little information about job applicants, they must rely on these academic credentials as a means of comparisons between applicants. In fact, the faith in educational credentialing as indispensible for social mobility is so deeply rooted that it has led to the proliferation of for-profit colleges, as discussed extensively by Allen (2002) and Cottom (2017). These for-profit colleges offer credential expansion to vulnerable groups such as single mothers, people of color and people transitioning from welfare to work, as they do not have access to favorable higher education schemes. In other words, credential granting from for-profit colleges exists precisely because of the existence of elite credentialing. Students who enroll in these colleges want to ward off the insecurity of the labor market by seeking credentials from any college that promises to do so, even if it means credential granting in exchange of profit taking.

A parallel can be drawn between the faith in education as moral and a worthwhile investment and the faith in validated art. In the context of the art market, credentialing is the process of establishing the legitimacy of the artist and the artwork (Ogle, 2008).

There is a constant need to interpret and position art within a wider discourse because art is the product of its environmental context (Preece and Rodner, 2015). As interpreters of the artist's narrative, the gallerists position the artwork firmly within a legitimate historical and cultural context (Preece and Rodner, 2015). In this manner, credentialing is generally carried out by the gallery for their associated artists and acts as a signal of quality to potential customers. As can be seen from the case of the labor market, even though credentialing is done by all the various types of galleries that exist, the signal received by the customers depends on the type of gallery (Robertson, 2005). Some galleries act as tastemakers in the market (elite credentialing) and others as profit maximizers (for-profit credentialing). That is, there is a gap between the credentials granted and the real art market outcome.

Reputation building. Just as the success of an individual in the labor market depends on the standing of the educational institute that grants credentialing, the success of an artist in the art market depends on the reputation of the gallery that provides the credentialing. Reputation in this context usually refers to symbolic capital. Foregrounding symbolic capital (e.g., reputation in the art field) over the quest for economic returns appeals to contemporary customers and increases credibility in the long run (Velthuis, 2005; Kerrigan, 2014). Some practices that lead to reputation building for the galleries include not engaging in price manipulation, the gallery owners not housing their own art in the premises and generating revenue primarily through selling artwork rather than ancillary services such as framing (creating frames for paintings). For artists, reputation is built by getting associated with a renowned gallery, getting work purchased by renowned collectors and winning a prestigious art award (O'Neil, 2008; Penet and Lee, 2014). In the course of an artist's career, the associated gallery and the artist grow mutually dependent and enhance each other's image in a co-branding effect (Rodner and Thompson, 2013). I found that most actors in the art market have a general idea of their position in the art networks in terms of the accrued symbolic as well as social capitals, wherein social capital is defined by ties in these networks that bring mutual benefits.

Place of display. One of the three key dimensions that contribute to the authentication of artwork as set out by Preece and Rodner (2015) is the placement of the work in the art world context. The context can be defined as a regulated space such as a gallery or the artist's studio, such that the artwork outside this space (e.g., paintings displayed for purchase at a local coffee shop) is little more than the combination of materials used by the artist (Danto, 1964).

Cultivation of artists. To the uninitiated, it might appear that all gallery types engage in the cultivation of their artists. However, it goes much deeper than the gallerist being on good terms with the artists. Cultivation can be defined as the process of developing a strong bond with the artist (or customer) by engaging in practices that lead to mutual growth. Optimal symbolic and financial value is obtained in the contemporary art market when galleries work in unison with their artists and collectors (Rodner and Thompson, 2013)**.**

Cultivation of customers. Cultivation of customers is similar to artists insofar as it involves practices that promote mutual growth. Artists obtain the "right" customers—those with the capacity to properly appreciate (and pay for) art—by accruing symbolic capital over the years and combining it with the social and cultural capital of their gallerist (Kerrigan, 2014). Customers here typically include art enthusiasts, private and public collectors, cultural and corporate institutions.

Artist-Gallerists Relationships Generate Value

I argue that artwork moves through art market channels via three relationship types that generate different types of relational value using various mixtures of these value creation mechanisms. Prior research classifies galleries into alpha, beta and gamma types that cater to artists in different stages of their career paths, such that alpha represents the major galleries with global coverage in terms of the represented artists and reach of sales/customers, beta represents the medium galleries with regional coverage and gamma represents the smaller galleries with local coverage (Robertson, 2005).

In the next section, I show that it is the relational value embedded in these everyday practices that builds symbolic capital for the actors, irrespective of gallery size and coverage. Bourdieu speaks of practices as being fundamentally interested. In other words, action is strategically oriented towards satisfying material and symbolic interests (Swartz, 2012). This interest perspective of action applies to artist-gallerist relationship types, since per Bourdieu, all cultural production is reward oriented. I detail the following relationship types that emerge from practice, often in ways that are invisible to artists and gallerists: (1) “Artist’s Agent” relationships signal high-status to artists and collectors, and they protect the art world from actors who would ‘sell-out’; (2) “Real Estate Agent” relationships follow the logics and basic practices typical of market-based exchanges; and (3) “Low-end Specialty” relationships cater to low-status actors at low price points.

Before discussing these relationship types in detail, it is worthwhile to get acquainted with certain terms that are frequently used by actors in these relationships. To this end, I sought guidance from William, who has been in the art market since many years in the capacity of a curator. He is Chair of the largest nonprofit art center for contemporary art exhibitions in the state encompassing Midlandia and Baxton and the proprietor of a prominent gallery. He helped clarify features of emerging markets in detail as well as language games in the art market. To aid the reader in becoming sufficiently conversant, I present some key practices actors often use in taken for granted ways.

So-called "square inch pricing" is a standard pricing technique used by artists and gallerists that involves setting the price of the artwork based on its size, irrespective of its perceived aesthetic value (Rengers and Velthuis, 2002; Velthuis, 2007). The artist (and the gallery that represents the artist) charges a fixed price per square inch such that larger works are more expensive than smaller ones. Even if the artist believes that between two pieces of the same size one is better than the other, the price for both is identical. Now, as artists build reputation, they may raise their price per square inch, but it stays constant across paintings. Square inch pricing is a practice that can aid an artist or gallery in reputation building. It can also aid galleries in artist and customer cultivation. But square inch pricing's value-generating logic is not universally understood and accepted across artists and gallerists. In fact, some artists and gallerists engage in a pricing practice that is contradictory to that of following square inch pricing. It is called price manipulation, wherein artists and gallerists charge the maximum price that the market can pay for their art. This results in the creation of (temporary) price bubbles. Like square inch pricing, there is variance in the acceptance of this practice across artists and gallerists. Finally, exclusivity contracts represent a relationship-building practice among some galleries for their represented artists. Here, when the artists get associated with a gallery, they cannot display artwork at other locations that fall within a stipulated number of miles from the gallery. It generates value for galleries by cultivating customers for the gallery that are interested in the exclusively represented artists. That logic is highly contested. In the next section, I present these practices in the context of the various relationship types.

Artist's Agents: Protectors of High Cultural Capital

The logic that animates this relationship type is to protect high cultural capital. As such, it is averse to the concept of 'Commercial Art' and the profit maximization market logic it represents. Gallerists here believe that the art world is contaminated by commercial interests due to an incursion of sell-out artists and ignorant customers who lack the cultural capital to distinguish "good" art from "bad." Here, I use 'cultural capital' consistent with Wu's (2003) notion of competence and familiarity with artistic styles and products (also see Bourdieu, 1984). The following excerpt by William, who owns a gallery at a prime location in Midlandia and chairs a non-profit art center, illustrates how Artist's Agent gallerists engage in practices that are not market-oriented:

> People would say, 'Oh, but I'm sure you can sell it.' I would go, 'Yes, but I don't want to.' I'm pretty intolerant about bad art. So, I don't want to be the one who puts more bad art into the world. That happens all the time anyway. I don't concentrate on a specific audience. I concentrate on specific art. Then I hope the audience will follow. I'm not trying to be cute. That really is the case. I only sell

> art by artists whose work I like. I have plenty of artists whose work I can barely sell, but I really like their work. I will hang onto them and try to see if I can sell their work. I would never take on an artist simply because I knew I could sell his or her work.

William, and other such gallerists, believe themselves to be taste-makers who send quality signals to the market precisely by not catering to clients' tastes but offering expertise, by selling art exclusively rather than engaging in other business activity like making frames, selling art supplies, etc., and by following their artists' work for years before representing them. Arsel and Bean (2012) talk about how such taste-making practices attract buyers with medium to high cultural capital having an interest in self-expression, social change and experiential activities. In that regard, Artist's Agent gallerists serve as a central resource for market mediated discursive taste regimes, sitting at the intersection of the aforementioned socio-cultural forces (Arsel and Bean, 2012). The following value creation mechanisms shed light on the practices of this relationship type:

Credentialing for High Art vs. Low Art. It is important to note here that the Artist's Agent galleries differ from other types of galleries in their transformative role as gatekeepers by their focus on 'high' arts that have no explicit market objectives (Botti 2000). High arts not only act as an evidence of creative vision (Preece and Rodner, 2015), but also lead to the formation of artistic tastes (Bourdieu 1984) and audience development (McCarthy and Jinnett, 2001; Larsen, 2013).

Richard, a gallerist cum artist from Baxton, elucidates how Artist's Agents determine what to display and the price it commands:

> I did a series many years ago of just round shiny chrome ball paintings, and they sold in minutes. The whole show was sold out weeks before it even opened, and it immediately made me want to never paint them again because they were so popular, and it felt like that was a slippery slope to go down. And I also didn't have the desire afterwards because once something gets that popular, you just feel like you're just making a redundant painting. It's just a subject but the same formula, and I think that that's the end of an artist… I don't want to ever fault any other dealers and how they do things, but I think some people are like, "Oh your sailboats sell. Paint more sailboats," or "That blue has been really popular. Use more of that blue." We're on the opposite end, where I'm like, "I want you to experiment, fail, fall on your face, dive off in new directions and keep evolving as an artist."

Richard claims that he tries to set up artists to have 50-year careers rather than short careers with occasional sales spikes. So, he takes care not to engage in price manipulation. He advises his artists to follow systematic square inch pricing by offering low introductory prices in the initial years with an understandable linear progression over the years. He remarks, “That way, your collectors come along the ride with you and they never second guess.”

Reputation building. Another value generation mechanism for Artist's Agent gallerists is reputation, which is a by-product of practices inherent to this relationship type. A definitive practice among Artist’s Agent galleries is to forego any displays of art by the owners. In the rare cases when they do, all artwork is expected to be displayed on equal footing regardless of artist. The galleries that do not satisfy these conditions are infamously called ‘Vanity galleries’ in the Artist’s Agent art circles. A vanity gallery is an art display practice where a gallery either charges artists a sum for displaying their work, or displays the owner’s artwork in the gallery space at the cost of not giving adequate limelight to the work of other represented artists. It is thought to generate value mostly by providing a place of display. Even though the term ‘respected’ in the context of galleries is elusive and requires further elaboration, one type of gallery that does not fall in this category for sure is the vanity gallery. I see wide variance in how well its logic is accepted across relationship types. The advantages of this setup not being followed by Artist’s Agents are mentioned as follows. Along with increasing the credibility of the gallery, not displaying the owner’s art leads to the development of trust with the artists. Those with enough stability stay wary of vanity galleries because the placement of artwork in galleries is hierarchical. Typically, high-selling artists are displayed at the front of the gallery. However, in Vanity galleries, the owner’s artwork can take display space and time from better quality artwork. Another practice that reinforces the symbolic boundary around Artist’s Agent galleries is offering ancillary services as a means of gaining complete control over the process of moving art from artist to customer, like selling frames. Artist Mary is represented by a gallery that uses framing services as a product supplement, “[The gallery] doesn't use the frames as a point of sale. I mean, they don't use that as a product. I think they think of it more as a support for selling works on paper, if that makes sense. In other words, ‘we don't have to outsource our framing, we can do it all for you here.’ We control the customer service, we control the aesthetic, etc.” This practice helps ensure that clientele is restricted to those inclined towards purchasing ‘high’ arts. In other relationships operating under a different logic, making frames does not contribute to reputation building. They are a primary source of revenue, with the art operating almost like a loss leader.

Cultivation of artists. For Artist's Agent galleries, cultivation of the artists becomes self-evident through the practices. In our dataset, majority of the galleries follow the consignment model, with only a few following an inventory-based model. In the former, the gallery collects a 40-50% commission on the total price and pays the artist the remainder. Despite the high commission, it is aspirational for the artist to get into this setup with a renowned gallery that has an established client base. However, the gallery can end its association with the artist whenever it deems suitable without any financial obligation. The reasons can range from the artist's work not getting sold immediately to the business taking a hit due to a pandemic. The Artist's Agent galleries, despite using the consignment model, differ from the other artist-gallery relationship types right from the first step of accepting an artist on board with the intention of trying to form a long-term relationship. The galleries accept an artist only if they are a good fit in terms of the nature of work and experience.

Cultivation of customers. Customers typically include art enthusiasts, private and public collectors, cultural institutions and corporate institutions. Artist's Agent gallerists are adept at managing a long-term customer cultivation orientation, which ties long-term monetary gains to accommodating the customers' desire for artistic integrity (Kerrigan, 2014). This includes foregoing immediate monetary gains.

In the process, Artist's Agent gallerists accrue prestige in the market and a loyal customer base. Yet they take pride in maintaining their distance from customers. By extension, they also maintain their artists' distance from customers. Artist Mary elaborates on the reason behind the practice:

> There's the psychological distance from the buyer to the artist, which is really important sometimes because – it's important to me sometimes to be protected from them. And then I think it's also a psychological sort of mystery for them, you know, to not have direct contact with the artist.

Mary believes that acquiring a skillset takes time and effort. Years of learning and experience are put to use whenever she makes a painting. She offhandedly comments, "Certainly nobody goes into this for the money," which is ironic because each of her paintings sells for thousands of dollars. Situated between Mary and those who purchase her art are gallerists who, in this relationship, generate value for their artists by standing on notions of 'good art' rather than responding to buyers' tastes, by heavily promoting artists' work, and investing in long-term relationships.

Social Enterprise relationship subtype. The Social Enterprise is a sub-type of the Artist's Agents relationship type and is distinguished by promoting a social cause. This relationship sub-type represents visual art that not only encompasses fine arts, but also installations, sculpture and craft. Collections tend to be eclectic in nature, which at times acts as a unique selling point, as in the case of gallerist Megan from Baxton. She themes her gallery around women's art because she believes that women are underrepresented in the art market. Some 85% of her artists are women, comprised of both emerging and mid-career artists. Similarly, Nicole from Baxton themes her gallery around African American art. She aptly declares, "Every gallery is not the same. Many galleries… don't really act like true galleries. They are more retail. Just a store. My goal, my focus is a little different. It's not strictly sell, sell." Her gallery exclusively represents African American artists. Though she offers a wide price range to cater to varied customers, those who are in her estimation aligned with her gallery's vision get better deals. For instance, she might offer the option of paying in installments to these buyers but not to others. Like any Artist's Agent gallerist, Nicole puts in a lot of effort to promote her artists. She believes that a gallery is in a partnership with its associated artists, such that the gallery helps the artists in accomplishing their goals. To provide ample exposure to her artists, she writes press releases for them, contacts museums, puts together traveling exhibits, seeks interview opportunities and buys ads featuring her artists' work. Along with selling artwork, she creates and promotes workshops on African American culture.

Summary. The Artist's Agent relationship type is closely aligned to the logic of 'art for art's sake', a motive that is revealed by studies that use an institutional perspective. Gallerists of this type are the tastemakers of the art field, such that they are averse to commercial motives. They do not have a market orientation and believe in accruing symbolic capital over the years that often takes the form of accumulated prestige. Some of their key practices include legitimizing 'high' arts over popular art and exclusively using systematized pricing techniques (credentialing); generating revenue primarily by selling artwork rather than supplemental services and never displaying art by the owner (reputation building); forming long-term relationships with artists and developing strong relationships with customers built on artistic integrity without pandering to popular taste (cultivation). The Artist's Agent relationship type has a sub-type called Social Enterprise, which operates by the same logic and follows the same practices with the added goal of promoting a social cause, such as higher representation of women or African American artists.

Real Estate Agents: Self-Interested Profit Maximization

In the Artist's Agent relationship type, artists and gallerists are interested in acquiring short-term symbolic capital that translates into long-term economic capital (Bourdieu 1993). By contrast, artists and gallerists in the Real Estate Agent relationship type seek immediate economic profit as a reward, just as we might expect from any market systems actor per neoclassical theory. In this relationship type, actors generate value by following the singular logic of self-interested profit maximization. John, an artist who owns a gallery in Midlandia, fleshed out the essence of his gallery operation:

> So, I was one day thinking about starting a gallery, as I can get a 100% commission [on my own work] and I can also take a cut of other artists if I sell their stuff. That's 40 or 50%. I don't care what people do as long as they buy my art. […] One thing I don't have is a lot of things under a hundred bucks, and I've tried to kind of have more of that here because of the walk-through traffic. So, I've got to figure out here [in Midlandia], what to do to get walk-through people. You also want to try to capture a sale then, too. Like any business, you want immediate type things.

John is a classic intermediary who can be recognized as following the logics of the neoclassical theory. This notion of wanting artwork to move with a steady flow by having a wide price range that caters to a variety of segments is a key driver of running a gallery in this relationship type. However, in the art world, overt material pursuits might be considered as a less worthy form of human endeavor compared to symbolic interests (Swartz, 2012). Hence, to project themselves as legitimate, Real Estate Agent gallerists follow certain practices that overlap with those of Artist's Agents, such as cultivating a loyal customer base. The following practices highlight the value creation mechanisms in this relationship type:

Credentialing. In most respects, it is difficult for artists and customers to distinguish between Artist's Agent and Real Estate Agent relationship types. Because of their connections in the art market networks, Real Estate Agent galleries are able to project themselves as being authoritative in the social contexts of their customers (Marshall and Forrest, 2011). Customers are sometimes willing to pay a price premium for the gallerists' expertise and validation.

Though Real Estate Agent gallerists are open to price negotiations, they typically charge the maximum price the market can bear. Value is created in the channel relationship for gallerists by orienting pricing around appearance and location. They search for opportunities to raise prices, as suggested unanimously by informants, when an artist earns a prestigious award, a national magazine cover, or a grant; is invited to display their work in a museum show; uses a prestigious or high-cost medium, such as oil; or participates in a residency program. Real Estate Agent gallerists are generally not opposed to manipulating prices under these conditions to create (temporary) price bubbles.

Reputation building. Reputation here is hard to parse because the clientele is an eclectic mix of low and high cultural capital. These gallerists engage in reputationdeflating activities from William's perspective at the top of the status hierarchy. Also, these gallerists are less interested in symbolic capital, except where it is immediately convertible to economic capital (e.g., a basis for a temporary price premium or add-on sales).

Most galleries in this category function as vanity galleries in which the gallery owners' art is given preference over the work of the other artists. This practice is not only detrimental to reputation, but also leads to a lack of trust between the galleries and the represented artists. Also, unlike Artist Agent galleries who use supplemental products to provide end-to-end service to customers, galleries in this category run other related businesses primarily to generate additional revenue. For instance, some offer their space for rentals, art supplies and jewelry sales, or framing services. The artists in this category rely on other avenues for additional income as well, such as producing commissioned work and showing at exhibitions and festivals. Artist Jacob describes how he juggles various selling venues, "It helps to have that cushion in between where you can go ahead and make a profit… So, I do a lot of tradeshows, a lot of comic book conventions, art shows." While producing commissioned work is not exclusive to the artists of this category, the difference is that artists in Real Estate Agent relationships treat artwork solely as a means to generate revenue.

Cultivation of artists. Gallerist Maya from Baxton sums up the boundary condition for the Real Estate Agent relationship type when she innocuously says, "I'm like, 'Oh my gosh, I love this work [of art]' but then you also have to sit back and think, I love this work but will it sell?" Such gallerists are classic profit maximizers who only contract with those artists whose work they believe will sell, only for as long as they believe it will sell. Some gallerists have no direct contact with their artists. In fact, some follow an inventory-based model, buying paintings from other art dealers rather than signing a time-bound contract with an artist.

Gallerist John illustrates the prevalence of short-term artist-gallerist relationships. He is quite vocal about having a monthly rotation of artists in his space, not representing any for very long:

> That way when people come in, every time it's something different, you know. Maybe landscapes one time and then the next time they come in it might be really colorful, abstract stuff. I try to stay under that $5,000 price mark, because paintings just tend to sit you know, when [prices] go up. […] You don't want someone to come to the show and see that painting and then see the artist make a deal on your back that same week. The artists I work with never had a problem with that. But you hear stories about that. Or you hear clients talking about that, where [they] saw a thing in a gallery and [they] just called the artist and [he] sold it to [them] directly. You know, you got to be careful.

The lack of trust between the gallery and the represented artists is palpable. The value that accrues to artists in this relationship type is almost entirely in access to the gallerist's collector base and the resources provided for the gallery's promotions. The value is fundamentally transactional. As the executive director of a Midlandia nonprofit center put it, "I just advise artists to find that relationship. It's like dating, and it's absolutely okay to break up with your gallerist. Until you have a committed gallery representation, just be in everything." She also advises artists against signing exclusivity contracts with gallerists that prohibit them from showing at other galleries. However, I note that such contracts seem prolific in the art market, across relationship types.

Another noteworthy practice of the gallerists in this relationship type includes engagement in frequent and sharp price increases for the artwork of their associated artists. These price increases must be managed carefully, lest they destroy value for the artists. To wit, when price increases lead to the creation of price bubbles, they can be ironically detrimental for the artists when their contract with the gallerist ends. Artist Taylor knows the repercussions and tries to be systematic about pricing his artwork. He follows square inch pricing and holds his gallerist in high regard. When asked about the support he gets from the gallerist, he asserts:

> They're super supportive and they believe in my work probably more than I believe in it. And I think that's very important for a gallery. Like you have to believe in the artist in order to sell the artists. If you don't believe in the artist, you're not going to be able to sell it. And so just through their support and belief in me kind of gave me a whole lot more confidence in myself. And then, you know, I see them working super hard for me from, you know, marketing my stuff on the website or on social media down to making frames for my artwork. I mean they just, they just go above and beyond for me and that's why I have no problem, you know, giving them their share of the commission because they worked super hard…

As a norm, artists in this category receive support only as long as they are prolific. Thomas is promoting Taylor using front-end practices similar to those of Artist's Agents because his work is getting sold at the moment. Interestingly, when I interviewed

Thomas, the gallerist who represents Taylor, and questioned him about the apprehensions of the artists he represents (without mentioning Taylor), he commented, “That's not my concern. My main concern is having the work go in a steady flow […].” As is clear, the artist’s wellbeing is not the top priority for the Real Estate Agent gallerists. A practice level perspective allows us to see the differences in the logics followed by the Real Estate Agent and Artist’s Agent relationship types. This is an improvement over the institutional perspective that does not distinguish them.

As mentioned earlier, many Real Estate Agent galleries frequently rotate their set of artists. The Real Estate Agent artists know that getting removed is part and parcel of the game, as artist Jacob articulates:

> Every two or three years you’re going to have to reintroduce yourself to a new group of people, either because a new group of [galleries] moved in or because the people that you worked with from one time from before have either moved on and gone on to these other things, and you just can’t rest on your laurels when you think about success.

Jacob expresses concern about the frequent changes that take place in the gallery space, keeping an artist on his toes. New galleries enter the space and have pre-determined criteria for accepting artists. Also, well-established galleries can either change their set of artists or the type of artwork they deal with.

Cultivation of customers. For the uninitiated buyer, the Real Estate Agents generally engage in transaction-oriented, short-term economic value-generating relationships. Although the gallerists in this relationship type do engage in selling high arts to the likes of collectors, institutions and art enthusiasts, they also deal with customers in transaction-oriented, short-term economic value-generating relationships. This is so because along with selling artwork, the galleries run other related businesses as well, such as space rentals, framing and art supplies stores.

Summary. Real Estate Agents are profit maximizers in the neo-classical sense. Some of the key practices include engaging in frequent price hikes based on artists' accomplishments to create price bubbles (credentialing); housing and displaying their own art and selling supplemental products and services like framing to generate additional revenue (detrimental to reputation building); forming short-term relationships with a frequently rotating set of artists (cultivation of artists); and courting a wide range of customers for transaction-oriented, short-term relationships, that largely do not benefit artists. Interestingly, the front-end practices followed by Real Estate and Artist's Agent galleries are similar. Hence, when viewed from a strict institutional perspective, it is unlikely the former's animating logic (profit maximization) would be distinguished from the latter's ('art for art's sake' to protect high cultural capital). Although Real Estate Agent galleries thrive in the pre-COVID-19 period by following the high cultural capital practices of the Artist Agent relationship type, the robustness of these practices given nearly antithetical animating logics needs to be examined, which I do in Part II.

Low-End Specialty: Caters to Low Cultural Capital

As discussed earlier, a widely accepted school of thought in the art market believes that artists face a sharply distinguished choice between creating art for the sake of self-satisfaction and creating art primarily to suit an existing market (Barrere and Santagata, 1999; Cowen and Tabarrock, 2000; Kerrigan, 2014). The Low-end Specialty relationship type is grounded in a ‘create art for material gains’ logic, as chalked out by the institutional approach to the art field. These gallerists cater to the needs of the low-end market for “bad” art by providing a place of display as the primary form of value creation. In other words, there is an overcrowding of not-well-established artists in Midlandia and Baxton. As one gallerist commented, “There’s more artists than there are galleries; so, a lot of times they’re looking for some place to put their art.” Hence, galleries in the Low-end Specialty relationship type create value by providing that place. The following value creation mechanisms highlight the practices followed by the actors in this relationship type:

Limited credentialing for ‘Low Art’. For the artists in this category, having a semi-permanent gallery to display at functions as a form of credentialing. These artists create art categorized as ‘low’ (or popular) to please a pre-existing audience (Cowen and Tabarrock, 2000). That audience consists primarily of non-serious buyers who are not usually concerned with resale potential. Low-end Specialty gallerists produce little value as legitimizing agents. Because these gallerists are poorly validated, they offer little validation to the art (Rodner and Thompson, 2013). Rather, the galleries in this category produce value by continuously distinguishing their ‘low’ art from even lower so-called “junk art,” which is typically sold like any other commodity, often outside gallery space, with no connection to the reputation of the shop owner (O’Neil, 2008). The perceived quality of the artwork sold at Low-end Specialty galleries depends on the gallery’s and artist’s reputations. However, because these gallerists often have limited expertise, they struggle to maintain this low-but-not-lowest distinction.

Reputation building. Low-end Specialty gallerists keep afloat by diversifying into other product categories, some unrelated to fine arts. For some, art is a secondary business. In sharp contrast to the rigorous implementation of systematic pricing by Artist's Agent gallerists, they entirely forego such techniques. Gallerist Wenda from Midlandia questions their utility directly.

> I had one artist that would price by the square inch. He painted Native Americans – he painted Indians. Even if it was just a face with no background, it was the same price as something that [had] really detailed background. I didn't really agree with that.

She wonders how artworks of the same size but varying complexity can command the same price. It is fascinating that even in an emerging art market as small as Midlandia, not all actors are well versed with the tacit 'good' practices. Since knowledge is a major constituent of cultural capital, lack of basic knowledge in this context is indicative of a low cultural capital. This is connected to the lower reputation of the Low-end Specialty galleries. In fact, Artist Manya approaches pricing in exactly the same way as the gallerists in this category do, because of the low cultural capital of the artists as well as the customers:

> Probably the most uncomfortable thing that I have to do is pricing the work. That makes me sick. Oh, my nerves get bad. You know, because a lot of people say to me, "Well, why do you have a full-time job? You can make a lot of money off of your art." And I was like, "if it was only that easy." You know, it's easy to sell artwork to someone who knows the value of it. And it's harder to sell it to someone who doesn't. It's not necessarily that they don't have the money. It's just

> that they don't understand the time and effort that goes into it. So, pricing has probably been my number one challenge.

She further adds that feeling and emotion are factors in how she finds the right price point. For Manya, pricing is arbitrary, making it the most challenging aspect of selling artwork. Due to practices such as a non-exclusive focus on art and inconsistent pricing, artists and gallerists in this category lack a well-built reputation.

Place of display. Artists in this category lack reservations about displaying their art only in regulated spaces such as galleries. I highlight three reasons for the same. First, the category caters to low cultural capital customers who cannot distinguish between contemporary art and junk art. Since the artists do not yet have the necessary symbolic capital to be taken seriously in the established art world, their determinant of success is commercial gains (Webb, et al., 2002). They achieve them by displaying at locations frequented by their target audience, such as Low-end Specialty galleries, restaurants and coffee shops. Now, as Webb, et al. point out, these artists constantly strive to be considered a part of the art field and not be sidelined as producers of art that is not 'real' by abstaining from fully revealing their self-interested goals. One way of distinguishing their work from the crudest forms of commercialism is originality. They produce original artwork, not replications of existing artwork (Dholakia et al., 2015). Interestingly, our data reveals that the art market's rules for all relationship types allow for prints of original artwork to be counted as original art, as long as they are sold directly by the creator or their intermediary. A second reason for the Low-end specialty artists having few reservations about displaying widely is that the Low-end specialty galleries lack the clout to impose exclusivity contracts. Exclusivity contracts typically forbid alternative display venues within a 25-mile radius of the gallery. A third reason Low-end Specialty artists display widely is the absence of consistent pricing across venues in the relationship category. Dale, who is an artist/ photographer and a board member of not-for-profit organizations, explains that when he is working as an artist, he decides pricing on a case-by-case basis for the same piece of work. In other words, if Dale displays his work at a restaurant, he might charge less than he would for the same work displayed at a Low-end Specialty gallery. When asked about how he gets away with such a practice, he says, “For me, I really try not to disclose [the prices].” This approach helps Low-end Specialty artists use suitable venues opportunistically. Artists in other relationship categories accrue higher symbolic capital by, but at the cost of being relegated to spaces legitimized by the art machine.

Cultivation of artists. As in the Real Estate Agent relationship category, Low-end Specialty galleries frequently rotate their artists. They rely heavily on events that have a high footfall such as first Thursdays/first Fridays, wherein they showcase a new artist every month. While it means that there is no artist cultivation by the gallery, it implies that more budding artists get a platform for representation.

Artists in this category talk about artwork primarily in terms of how it can help them pay the bills. Some gravitate towards creating digital art in hopes of finding freelance jobs. Due to the economic value being the most salient aspect of creating art in this category, there is a potential to be influenced by new practices involving technology that can be disruptive to the market structure (Larsen, 2013).

Cultivation of customers. For the customers in the Low-end Specialty category, price is the most diagnostic feature of purchasing an artwork. There is little to no cultivation of customers by the galleries in this relationship category. As pointed out by Rodner and Thompson (2013), the customers purchase within a limited budget without having expectations of a resale potential. Some may get satisfaction from investing in a new artist and hence participating in the creation of culture (Barrere and Santagata, 1999).

Wenda is located at the outskirts of Midlandia. She has the most price-sensitive and least sophisticated customers, whom she attracts by keeping the prices low:

> If people are looking at the piece, asking about it, but the price is scaring them off, I'll go back and ask the artist if we can bring it down. We're always discussing prices; and I hate to say it, but because we're across the river, we have to keep the prices reasonable.

She understands that even if her artists produce exceptional artwork that attracts customers, they will leave if they cannot internally justify the price.

Not-for-profit subtype. These are a mission-driven sub-type of the Low-end Specialty category. To be successful, artists need to function as brand managers by actively promoting their art in the ever-competitive art world (Schroeder, 2005). One way neophyte artists promote themselves is by using Not-for-profit galleries as a preliminary platform to start their tryst with the art market. Even though this category is mission driven in terms of cultivating artists, it operationalizes the value creation mechanisms differently than in the Social Enterprise relationship category. Gallerist Lan runs a Not-for-profit gallery in Midlandia that primarily attracts local artists lacking gallery representation. Lan's gallery does not charge a commission from artists. It is a public space, literally part of a hallway in a building that rents space for conducting events.

While the gallery intermittently represents established artists, it mostly represents new ones, frequently rotating upcoming artists to attract walk-in traffic. However, at the time of writing, Lan's gallery has shows booked for a year and a half.

Summary. The primary value proposition of Low-end Specialty gallerists is providing a place for display to budding artists. Some of the key practices in this relationship type include selling 'low' art created for a pre-existing audience without following systematized pricing techniques (credentialing); generating revenue from multiple product categories, some unrelated to art (reputation building); providing an array of unregulated venues to display artwork without restrictive exclusivity contracts with representing gallery (place of display); and frequently rotating artists and catering to customer price sensitivity (limited artist or customer cultivation). A categorical sub-type called Not-for-profit operationalizes value co-creation mechanisms similarly to Low-end Specialty. But Not-for-profit galleries are, like galleries in the Social Enterprise type, mission driven.

Overview: Part I

Although the art field consists of various different actors, such as gallerists, critics, the government, dealers, artists, curators, and customers, my study focuses on artists and gallerists because of their central role in the movement of art through the art market system. Based on data collected over a span of two years, I parse out three artist-gallery relationship types, each having varied accumulated social and cultural capitals: 1) Artist's Agents, 2) Real Estate Agents, and 3) Low-End Specialty. I use a market systems theoretical approach to unpack the practices followed by artists and gallerists in the relationship types under five value co-creation mechanisms: credentialing, reputation building, providing a place for display, cultivation of artists and cultivation of customers.

Although Part I provides an insight into how value is co-created in the US art ecosystem, the data collection was disrupted by COVID-19, a macro-level intervention of the art ecosystem. Exogenous shocks have at moments charted a new course for art, be it the Great Depression (1929-1933) giving birth to an indigenous art scene, or the AIDS epidemic of the 1980s (Dacic, 2017, Prodger, 2017). In Part II, I elucidate how the exogenous shock of the COVID-19 pandemic leads to a reorganization of the relationship types. Although all relationship types fight tooth and nail to survive, the next section illustrates which relationship types pull through and how the art world actually adjusts.

CHAPTER 6

PART II

COVID-19 INTERVENTION: CHANGE IN THE ART MARKET SPACE

COVID-19 is an ongoing pandemic caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), declared as a pandemic by the World Health Organization on 11 March 2020. It can be considered as an exogenous shock, or what Swidler (2013) labels "unsettled times", for the art field as it has been a disruptive event and has caused technological changes (Barley, 1986; Fligstein, 1991). The pandemic's tryst with the art world started with the cancellation of Art Basel Hong Kong. Scheduled to take place in March 2020, it is one of the most important fairs in the international art market. It typically features premier galleries from across the world in a physical setting. In 2020 however, the fair launched Online Viewing rooms as their very first virtual viewing experience. The rooms featured over 2000 artworks collectively valued at $270 million that would have been on display in the physical setting had the fair not been cancelled (Reiner-Roth, 2020). Art Basel's cancellation was followed by the postponement of fund-raising events and art shows that had been planned for years. Museums and galleries shut down, either temporarily or permanently, depending upon whether their cash reserves could last though the lockdown period. According to the American Alliance of Museums survey, 12,000 museums in the US could close permanently as a result of the financial fallout related to the crisis (Selvin, 2020). After months of closure, many of the institutions resorted to furloughs and budget cuts, such as the Gagosian and Pace galleries that display some of the most influential artists of the 20th and 21st centuries. Expecting an overall 30 percent drop in sales in 2020, certain renowned galleries such as the David Zwirner laid off 20% of the workforce (Small, 2020). Due to the shutdown of non-essential businesses by the authorities, the galleries could not use their own spaces to sell art. To add to their woes, they could not use physical spaces elsewhere as well, as all consequential art fairs scheduled for Spring 2020 were cancelled. The pandemic was a major blow to the social dimensions of all arts activities, including having openings, hosting events and bringing people together.

Despite several galleries and artists going out of business, online art and collectibles sales reached an estimated $4.82 billion in the first half of 2020, up 4 percent from the same period the prior year (Villa, 2020). While it was not a surprise that the auction houses thrived even during the pandemic (a work sold during the peak of the crisis for almost a billion dollars), it did indeed come as a surprise that art in the primary art market moved with a steady flow as well. The question that arises is why changes that took place in the art market system led to the survival of some institutions and the obliteration of others. To begin to answer this question, we need to check the relevance of the value creation mechanisms post COVID-19 in each of the artist-gallery relationship types identified in Part I of this research.

Customer demand for contemporary artwork during the pandemic

To get the complete picture of the COVID-19 story, it is imperative to look at the crisis from the buyer's economic perspective as well. Initial news articles and podcasts projected a grim picture for sales in the primary art market. Tim Schneider (2020) Art

Business Editor at *Artnet News* elaborated on the same in a podcast, “What happens in an economic crisis is that the first thing that dries up is what is called the discretionary spending. Discretionary spending translates into spending on things that you do not need. …This is just not a scenario where people are going like, ‘You know what? With what I have left in my bank account, I really want to get into a nice painting right now. It’s just as far of the opposite end of the spectrum as people can possibly get.’”

Although the notion that discretionary spending falls during an economic crisis is well founded, in this crisis residents stayed at home due to self-isolation regulations imposed in several cities of the US. An apparent effect was a surge in demand for supplies required for home improvement projects (COVID-19 2020). During an interview, art journalist Sasha suggests, “Another thing that I think is that people are bored. People are stuck at home. And I think there's a combination of two factors, I think that there's a factor of boredom and wanting to be able to bring some joy into your life, bring some beauty into your home, collect a work of art, and also understanding that artists are struggling right now. And that purchasing art as a way to support someone, you believe in their work, and you want to see them succeed, and you want to see them get through this moment." According to her, even those people who did not necessarily have a huge amount of discretionary income and were not conventional collectors were going out of their way to purchase art to support artists during the pandemic.

Real Estate Agent gallerist John, who was interviewed both before and after the pandemic, reaped the benefits of an unprecedented demand for his framing services. He added, ”It's been funny that the picture framing business has been busy lately… People are stuck at home. And they are doing a lot of work to make their yards and houses look good. So, we've actually been pretty busy." According to John, majority of the people who approach galleries to buy art are on a lookout for a statement piece to fill the space above their couch, while the smaller sized pieces (at or below the $500 range) are more of an impulse buy—a trend that has continued since the onset of COVID. His observation acts as a testimony to the fact that residents are investing their time and money in home improvement, and in turn artwork.

Art journalist Elisa offers another perspective. Having years of experience in studio art, art history and art journalism, Elisa is well equipped to comment on the underbelly of the economics of being an art buyer. She adds, "In a moment when the economy is particularly unstable, and people are unsure about other markets, the art market is a weirdly reliable place to bank. In the sense that, I mean, it hasn't really popped in the way that some people predicted that it eventually would." Over the years, she has observed that collectors use art as a strategic investment in a highly liquid asset to launder their extra wealth and evade taxes. This aspect has not been necessarily affected by the pandemic. At times, when these collectors buy an artwork, the concerned gallery directly ships it to a storage unit where it stays, sometimes for years, till it is resold. The collector may never see the item in real life. Some even have art advisors who direct them on which artwork to buy. She believes that it is an illusion that people buy art to have a sensory experience with the work, when in fact, it is more like moving chips and banking on value in the same way as one would in real estate.

As is evident from these various perspectives, not only is art being purchased in the ongoing COVID-19 period, it is being done at a wide range of price points. Generally, the higher end of this range is present in developed markets and the lower end in emerging markets. As discussed in Part I, there are various relationship types in emerging markets having extensively different practices that deal in artwork at this lower end of the price range. In Part II of this project, I expound which of these relationship types survive and why.

Revised role of the intermediaries amidst the crisis

To understand how the rules governing the movement of artwork through the art market system have changed since the start of the pandemic, we need to revisit the concept of the 'Art machine', a term commonly used by both art scholars as well as the interviewees. The art machine can be defined as a network of various actors in the art market who have overlapping roles (Rodner and Thompson, 2013). The importance of a collaborative approach by these different components of the machine such as art professionals and institutions to the creation of value within the art market has been well established in the pre-COVID world. Part I of this research delineates three relationship types through which value is created between artists and gallerists. However, not all mechanisms that created value in the pre-COVID era produce similar outcomes in the COVID era. As an example, the galleries in the Low-end Specialty relationship type have conventionally done little more than provide display space as a form of credentialing to artists lacking a well-built reputation. An artist's work displayed in a gallery space sends a signal to prospective buyers that the work has the gallery's tacit approval, and is thus legitimized. Due to the imposition of stringent lockdown rules for non-essential businesses in the initial months after COVID-19 was declared a pandemic, these galleries could no longer provide a physical space for the display of artwork. Hence, low cultural capital customers who would typically buy art from a Low-end Specialty gallery shifted to other venues, a point I discuss further elsewhere.

Of course, an inability to offer physical space to artists was equally unavailable to all gallery types in the initial phase of the pandemic. The panic running through the art field pressured galleries for a sudden digital adaptation (Martegani, 2020). As art journalist Elisa put in words, “It has disrupted like the food chain. In a big way. I mean, the Internet disrupted the food chain of everything, but I think art was late to the game in that regard.” What ensued was a series of reforms to match the instant need (Selvin, 2020; Villa, 2020). Most, if not all, galleries and artists established an online presence. Some galleries were quick to change the front end of their website, if one existed, or launch a basic website with online viewing rooms. In most cases, these online viewing rooms showcased images of artworks by artists being represented by the gallery with basic details about the work. Social media handles of galleries became active as well with timely updates of interactive posts, live broadcasts and short videos. Another innovative technique deployed by a few galleries was that of ‘rendering’. Under this technique, a gallery uses augmented reality through which a user of the gallery’s website can view how an artwork will look in his/her desired personal space. However, an online presence of the gallery did not always ensure engagement of the audience (Schneider, 2020). Only a few were successfully able to build a community online. Hence, while this shift was a success for some, it was a failure for others.

One might argue that the difference lies in the price point of the artwork, which determines the need for gallerists, whether online or offline. In other words, lower priced items, such as the ones sold at a Low-end Specialty gallery, do not require expert opinion and hence customers easily switched to other purchasing options such as direct from the artist. For higher priced items, like those offered by Artist Agents and Real Estate Agents, customers need gallerists to create distinction between art and non-art (Preece and Rodner, 2015). Now, such a ‘price centered’ explanation may reliably distinguish in established markets such as New York, where the difference in price for artwork sold in Low-end Specialty galleries versus Artist Agents or Real Estate Agent galleries is substantial. In fact, journalist Sasha added that the bigger galleries had an easier time also because they had the infrastructure to set up fancy virtual viewing rooms and build a large community of an online audience. However, in emerging markets, there is considerable overlap in price points across all artist-gallerist relationship types. For instance, in the pre-COVID-19 period, I observed paintings in the $300-$700 price range in all types of galleries in both cities under study. Hence, price-centered explanations generate limited insight about which galleries thrived during COVID-19. It is flexible but not diagnostic of value creation in the COVID-19 period.

I offer as an alternative explanation that the pandemic rendered moot some practices under various value creation mechanisms, allowing galleries not reliant on them to thrive. For instance, Real Estate Agent galleries frequently rotated their represented artists, a practice that led to most galleries shutting doors after the start of COVID-19. By contrast, Artist’s Agent galleries cultivated their artists by forming long-term relationships with them, which led to the success of most Artist’s Agents in the COVID-19 period. By focusing on emerging markets in this research, I effectively move price considerations to the background to unpack the set of processes embedded in the art market system that generate value for artists and customers.

Revised role of artists amidst the crisis

Just like the gallerists, artists developed their own means to survive the crisis (Lou, 2020). According to art journalist Elisa, the biggest way that technology intersected with the art world during the pandemic was that artists were now being held responsible to market themselves on the Internet more than ever. Although this expectation had been prevalent since the past 10 years, the pandemic accelerated that process. Before the pandemic, the art world used to have strict barriers for entry, such that only a very small number of people (gatekeepers) with elite access to certain institutions and social environments could decide upon the fate of artists. Since the start of the pandemic, many of the old bastions of the art world are finding it problematic to adjust to this new wave of inputs that is different from the previous vetting system. Now, a young emerging artist without affiliations and resources can build a following on the Internet to create a career.

The majority of artists in the dataset experienced a surge in requests for commissioned work. Interestingly, word of mouth played a major role in the artists receiving these requests. Some artists used live streaming platforms to conduct art classes. Others maintained visual diaries to compile their artwork created during the pandemic. Artist Bella amped up production during the initial months of the lockdown to have a steady supply of work when demand got better. Most artists in the dataset already had an online presence in the form of a personal website and social media handles. For Artist Taylor, this presence became imperative because the gallery he was represented by shut down during the pandemic. Artist Ken adds, "[The art world] is about interaction with people. The COVID world has challenged how this is being done. [Individual contact] has not been completely eliminated because part of it has been continued online.

However, online interaction is good when some type of initial connection exists." He believes that since the art world is a people's business, it is possible to succeed online only if pre-existing relationships exist. His argument is interesting, considering the fact that the debate about the relevance of brick-and-mortar galleries has intensified

CHAPTER 7

PART II

FINDINGS: REVISITING THE ARTIST-GALLERY RELATIONSHIP TYPES

To summarize, this research elucidates the relationships and mechanisms through which the visual art market creates value. To this end, I compare data before and after COVID-19 ensued. My aim in this section is to revisit the boundaries created between the various relationship types in Part I of this research and examine the change in demand for the respective values they generate. It is important to note again, as in Part I, that while there might be some overlap between the relationship types, they are distinct enough to exist on their own merit. In the following sections, we focus on which actors thrived and why, and which did not.

Artist's Agents: Protectors of High Cultural Capital

I start my re-examination of the various relationship types with the category that has emerged as the most successful in the post-COVID-19 period: the Artist's Agents relationship type. As noted elsewhere, many artists have done quite well financially. An excerpt from Artist Mary's interview sets the tone:

> I've sold more work since March 15 than I've ever sold in my entire life. I actually counted them up the other day and it was 47 pieces… I've literally had one collector spend a quarter of a million dollars on my work in the past four months.

> And I mean, that's gross… I mean, I was like, is this lady insane? I mean 17-18 paintings… I was talking to my art dealer. I said, are we doing something unethical? Like, has she lost her mind? Tell her to stop.

Mary's success has been so exceptional that she perceives it as slightly immoral. Her colossal success during an ongoing pandemic is ironic because her gallerist is an Artist's Agent type, and does not pander to popular taste. Rather, it functions as a proactive tastemaker, as described by Chong (2009). Artist's Agent galleries invest in long-term relationships with the intent of cultivating both artists and clients. They focus exclusively on selling art that is thematic. They do not indulge in artificial price inflation and do not display art just because it is in demand. As inferred from the interviews in Part I, although their sales might be negatively affected by the onset of a recession, they are generally immune to the pressures of changing technology. Their pre-COVID-19 value creation mechanisms have carried forward in the COVID-19 era.

Credentialing for High Art vs. Low Art. During COVID-19, galleries as authorizing figures are required to continue with their role of cultural "gatekeepers" to transform aesthetic value into economic value (Velthuis, 2007; Schroeder, 2006). The audience might be culturally ignorant and rely solely on the 'good taste' of the Artist's Agent gallery that is guaranteed by the gallery's reputation (Rodner and Thompson, 2013). As one of the artists in this category puts it, "Some of these galleries are almost seen as celebrity you know… As seen in the art market, [they are] kind of a star… There's the reputation part of that for sure." In Artist Dan's experience of Artist Agent galleries, this reputation instills confidence in both naïve and experienced customers about the price by signaling that the artwork is legitimate. If Dan says his painting is worth $20,000, he is going to raise eyebrows. However, if his associated gallery comes up with the same claim, customers believe it to be a good investment.

Reputation building. Practices that have led to reputation building in this relationship type are seamlessly carried forward even during the COVID-19 era. There is the existence of trust between gallerists and their associated artists because the gallery owner's art is not given precedence over the artists' work.

Place of display. Pre-COVID-19, the art world context for the placement of artwork included spaces such as galleries and the artist's studio. During COVID-19, much of this space became virtual. Technological advances like these bring about new consumption practices that can be disruptive to market structure and business models (Larsen, 2013). Those institutions that had a well-established online presence even before the pandemic reaped additional benefits of a strong foundation. Jeff, who is the director of a well-established online platform of artists and intermediaries that has a strong customer base in Germany, UK and the US, explains, "Since the website has been active for more than 10 years now, I would say the first five of those years were spent developing the network and onboarding users and creating awareness about our platform." His portal could take advantage of an early entry into the online domain to establish a national and international base of users. Although the portal had a goal to roll out in-person events in strategic cities, that plan got halted due to the pandemic. All resources had to be diverted to digital outreach strategies. Since the portal had a solid foundation in place, the transition was quick. Sasha, an art journalist who is a part of a well-connected network of artists and gallerists, had a similar story to share for a gallery from an emerging market. The gallery had a fully functional, robust web existence that helped them to pivot when the lockdown was suddenly imposed.

Prior to COVID-19, Artist’s Agent and Real Estate Agent galleries had a similar presence online and in-person. However, the transition to online display has proved to be less disruptive for the Artist’s Agent galleries. The next section addresses why this might be.

Cultivation of artists. Artist Agent gallerists develop a strong bond with their artists by forming long-term relationships. Gallerist Chloe describes how her gallery has represented around 40 artists for more than 10 years. She adds, “It's under 30% of the [artists] that are kind of rotating every couple of years. For the most part, I'd say we have pretty much longevity.” The gallery’s artists have also been featured in its online content generation since the pandemic. The gallery produced a blog series wherein it showcased interviews with its artists on a meaningful level about their life. As has been the case with most Artist’s Agent galleries, Chloe’s gallery is on track to maintain its roughly 10% annual pre-COVID growth rate through the COVID period as well.

Artist’s Agent galleries did not discount their artists’ work right at the onset of the pandemic, as that could have resulted in a permanent devaluation of the work. They waited for a few weeks and consulted their artists’ opinions on the matter. Artist Mary mentioned that her gallery discounted the work from mid-April to the end of June. The gallery consulted her before going ahead with the discount, “They asked each of us, you know, are you okay? Here's what we're doing. Here's what we're offering, you know, do you want to participate? And I said, ‘yes, I do.’ And I think everyone did that in my gallery.” Mary has been inactive online since COVID-19, as she did not feel like engaging directly with the audience, “I haven't updated my website with any new work. I'm ignoring Instagram and Facebook. And yet, the sales are going through the roof. Like, the anti-results.” Since artists in this category are confident about not being arbitrarily abandoned by their gallery, they can afford not to have an online presence if desired.

Nevertheless, most artists have an active online presence, which acts as a supplement to their associated gallery’s website. Since the artists work in unison with the gallery, they keenly redirect traffic to the gallery. Artist Dan clarifies. “For me, monetarily, it doesn't make a difference whether you contact me directly, or whether you go through the gallery. The price is just the same you know. There's no advantage to it. There's no discount for coming because…. that’s just not how it works.” Thus, even though his gallery takes a 50% commission for selling his artwork, purchasing a painting from his gallery will cost the same as purchasing it directly from him, as he essentially redirects the buyer to the gallery.

Gallerist Megan believes that the artists prefer selling through galleries because it helps them in gaining recognition. She notes, “When artists show their work on Instagram, they mention that they are represented by our gallery. We have certain inventory that the artists can sell only through our gallery. We have an understanding with them. If they want to make a name for themselves, attract seasoned collectors and get associated with bigger names, gallery affiliation helps. This has bridged the gap between collectors and galleries.” As the artist’s career progresses and their reputation heightens, the gallerist’s image is enhanced as well in a co-branding effect (Rodner and Thompson, 2013). Megan’s gallery, which represents women artists, can be categorized as a Social Enterprise, a sub-type of the Artist’s Agent relationship type. As discussed in

Part I of the research, a Social Enterprise gallery supports underrepresented artists. Their cultivation takes precedence over opportunistic generation of revenue. Megan's gallery has stood for women's empowerment both before and during COVID-19. To that end, the gallery has adapted to the new environment by re-designing a website that is easy to navigate and can handle a large volume of traffic. While there has been a jump in out-of-state customers for the gallery from 50% of its total customers to 75%, working hand in hand with artists has ensured a smooth functioning during COVID-19. As expected, the composition of artists in the gallery has remained consistent in terms of representing women, irrespective of the macro-level changes. What has changed is the mode of representation.

Cultivation of customers. In the COVID-19 period, both gallerists and artists in this relationship type have tactfully utilized a variety of online digital formats to retain old customers and obtain new ones. Not only is web-based communication being used by Artist's Agents to be in touch with their audiences but also by audience members to communicate amongst themselves (Preece and Johnson, 2014). Since the web is "always on", Artist's Agents have stayed top-of-mind by providing relevant content to current and potential customers (Waters et al, 2009; Preece and Johnson, 2014). Chloe explains that her gallery was able to reduce uncertainty during the pandemic by staying vibrant on social media and not disappearing. It was a group effort from her whole team that led to continued growth. "I feel like we garnered a lot of followers. I think we've grown almost 2000 followers [on Instagram] since the pandemic started. And that was really just because we started to really put ourselves out there. We were producing videos, we were doing a blog series where we interviewed artists on kind of a really meaningful level about their life… Honestly, we've been wanting to do it for years. We just never had the time.” Chloe’s comments highlight that the imperative online shift acted as a cloud’s silver lining. Online networks have the potential to communicate each opinion to a large number of customers, rendering the online word-of-mouth spread as more effective than the traditional, person-to-person word-of-mouth spread (Chen and Xie, 2008; Libai et al, 2010).

Another facet of online communication utilized by Chloe’s gallery and other Artist’s Agents is the simultaneous usage of a number of interactive web channels to enable an effective penetration of the marketing communications (Hede, 2014). Artist Mary talks about simultaneously using Photoshop, virtual exhibitions and artists’ studio videos art to aid the art business. Depending upon the type of online communication activity utilized by the art organization, there might be a trade-off between the number of ‘Likes’ and the number of comments. As is the case with the cultivation of artists, cultivation of customers by gallerists is a two-way street. Relationships foster when exchanges occur. While it is vital to deliver relevant information, it is equally important to acknowledge the online audience by employing user-generated content in an innovative manner (Hege, 2014).

There has been a fundamental shift in the way business is conducted by art firms. A salient question frequently raised in most discussions pertaining to visual arts is related to gauging the extent to which the changes will stick once COVID-19 entirely subsides. For Gallerist Megan, the present approach is the new normal. She plans to continue running the online store. In fact, she has decided to permanently shorten the in-person visiting hours of her gallery even in the future to work behind the scenes on the gallery’s website. Gallerist Chloe speaks from her experience of the 2008 recession that the changes are here to stay. She reckons, "As a company, I think we've always been really cautious and prepared for something like this to happen. You know, during the [2008] recession, we were here. And that's when we were able to switch more into corporate [clients]. So that was kind of an organic thing that happened because of that crisis." Corporate projects became an integral part of the revenue generation stream for Chloe's gallery. A few projects that the gallery commenced with corporate clients before the pandemic continued post-COVID-19.

Artist's Agents have thrived despite the pandemic due to the practices they have employed over the past many years (discussed in part I of the research), and not just in the past few months (discussed in part II of the research). Whenever Artist's Agents have conducted business online, irrespective of whether it was before or after the start of the pandemic, the artists and gallerists have collaborated in the process. This has not been the case with Real Estate Agents. Thus, despite having similar price points for artwork and many similar front-of-the-house practices, Artist's Agents and Real Estate Agents have a dissimilar success rate. This heterogeneity is not random, a premise that we shall explore next.

Summary. Artist's Agents are the tastemakers of the art market and are characterized by the long-term bonds their artists and gallerists form with each other. Despite the onset of the pandemic, they have experienced consistent growth rate. A primary reason for the same is that the good practices that the Artist's Agents engage in have been seamlessly carried forward during the COVID-19 period. Even those who did not have a pre-COVID-19 online presence have successfully established one due to the artists and gallerists working collaboratively with each other. Gallerists have promoted their associated artists on their websites. Artists have re-directed traffic from their website to the gallery's. As specified by Rodner and Thompson (2013), this mutual growth between artists and gallerists can be termed as co-branding.

Real Estate Agents: Self-Interested Profit Maximization

Most literature in the art field describes two competing discourses of artistic production. At the extremes, the Artist's Agents relationship type aligns with the "art for art's sake" logic and the Real Estate Agents and Low-end Specialty roughly fit the "profit maximization" logic. Even though both the Real Estate Agent and Low-end Specialty relationship types are grounded in commercialism, the former is a high cultural capital version. In fact, as noted, in the pre-COVID-19 era, Real Estate Agent gallerists share many front-of-the-house practices with Artist's Agents. To reiterate, these are not emic designations originating with gallerists and artists. They do not use or see themselves in these terms, and those who are not at the top of the status hierarchy often sense status deficit but lack precise language for it. After the onset of the pandemic, back-of-the-house practices by Real Estate Agent galleries illustrate capital distinctions between the relationship types clearly. Moreover, the two relationship types have shared very different fates.

Artist Taylor from Baxton elaborates on the situation faced by the gallery that represented him:

> Well, the gallery I was showing at, it closed down. March. Like right around the time the pandemic started. [The owners] moved back to Miami where they were

> from, okay, because nobody was really buying art. So, they were spending more money to pay rent.

According to Taylor, many galleries in Baxton have either shut down or are suffering a revenue loss. He believes that "everyone is struggling." While Taylor's predicament befell most of the Real Estate Agent galleries, a few have managed to stay afloat. John's gallery in Midlandia serves as a perfect example. John owns a vanity gallery that generates 90% of its revenue from framing services. He adds, "So when we were in complete quarantine, I came in and painted a line, which I don't normally have a lot of time to do. […] I guess that was the month of April. I sold three or four really big paintings, which really made my month. That made up for that loss of framing income." As a quintessential Real Estate Agent gallerist, John has a robust collector base. He offers a wide price range at his gallery for artwork and frames. John always has something to offer an individual who walks into his gallery, rather than lose a prospective customer to competition. While he cannot boast of long-term relationships with his artists, he is not solely dependent upon them for the generation of revenue. He uses his good expertise on the art market for price negotiations, and dependent upon the scenario, either artificially inflates prices or offers discounts. In the following section, I examine how a disruption like COVID-19 has affected Real Estate Agent artists and gallerists.

Cultivation of artists. As gatekeeping intermediaries, the Real Estate Agent gallerists sought to set terms with artists that allowed them to negotiate the highest price the market could bear by utilizing the subjectivity involved in the evaluation of artwork (Buck, 2004). In a follow-up interview after the pandemic hit, John was only showcasing his own art at the gallery.

> I just put all my stuff up, because I didn't want to tie up somebody else's artwork at a time when I didn't even know people could come in, you know, because we didn't know what was going on. But I am planning on starting the [artists] shows back in September.

After the pandemic hit, galleries and artists alike were forced to have an online presence to make up for the loss of physical space. It is at this point that the Real Estate Agent galleries experienced a different reception from customers compared to the Artist's Agent galleries. Where the latter benefitted from the artists' supplemental online presence, Real Estate Agent galleries, lacking the same close-knit relationship with their artists, largely could not benefit from the kind of co-creation that could bolster the symbolic aspect of space. This refers to how an online presence is perceived figuratively and discursively by actors (Rodner, et al, 2020). This lack of connection to the artists resulted in both being unable to navigate the disruption caused by the pandemic.

Art journalist Elisa added, "Maybe [the artists] would put their gallery in their bio for like, contact for inquiries, or they would post their gallery if they have a show. But I don't think I've seen people consistently promote a gallery. […] I mean, there's a certain public relationship and they get to have shows but it's like, the gallery isn't, you know, paying for fabrication. It's not providing them storage. It's not really doing that much for them. So, I don't think they feel like they owe it." In her experience, this type of the artist-gallery relationship is more like a public formality that verifies an artist, or vice versa. The material collaboration going on behind the scenes is much less than what is apparent to the untrained eye. Another feature of the Real Estate Agent model that collapsed during the pandemic due to the lack of camaraderie between the artists and the gallerists was the inventory model, where gallerists buy and resell paintings in bulk. As gallerist Megan pointed out, a few of the older galleries were still following the inventory system at the start of the pandemic and were resistant to change. They had no chances of surviving the pandemic due to a lack of liquidity and zero connection with artists.

Since Artist Taylor's gallery shut down at the start of the pandemic, he had to take up additional jobs. However, he mentioned that there was an upside to not being in a gallery, namely the 50% of each sale he owed the gallerist. He has sold some commissioned work since the pandemic and prefers being his own brand manager (Schroeder, 2005). He adds, "I go to the gallery, you know, they take their 50% or whatever commission without telling how long my art will sit there. But I kind of feel like I can do more on my own without the help of a gallery. Now that I've got that experience, I know how to do gallery work. I don't think right now I would want to be in another gallery."

Since the gallerists had cultivated a transactional relationship with artists, the pandemic reduced the gallerists' leverage in the relationship. The gallerists were not loyal to their artists and hence, the artists had no incentive to see the gallerists through. Even if Real Estate Agent gallerists continued representing their artists during the initial months of the pandemic, the artists preferred selling directly to a customer whenever possible. Given the tacit competition between the artists and gallerists, there could be no symbolic support for discourses supporting the galleries' norms.

Taylor's long-term goals involve using his persona to communicate directly with the customer about his artwork, as no one else can sell it with the same conviction. He thinks more artists will have to learn how to market themselves, use social media, and manage clients. He thinks many artists will be able to find different ways of creatively marketing themselves. It is evident from Taylor's new approach to selling his work that after the pandemic, he is on his own. He no longer has need of the gatekeeping functions provided by the Real Estate Agent gallery. However, Taylor might be overlooking other important dynamics existent in the art field that lead to a gradual increase in the value of an artist's work. Literature suggests that value creation results not just from the artist and the customer, but from various other interactions as well, such as those involving the galleries that send signals of quality to the art market (Preece et al., 2016). Opportunities for success are maximized when the various actors in the art field work in unison towards the common goal of optimal value creation, wherein galleries demand higher prices and manipulate sales for the artists (Rodner and Thompson, 2013). Hence, without any gallery collaboration, Taylor might never be able to charge beyond a certain price even if his work has the potential. Robertson (2005) in his work conceptualizes a rise to stardom chart that illustrates the steps that can lead to an increase in financial (price) and symbolic (reputation) worth for an aspiring artist. The artist has to pass through many levels of validation, including exposure to various galleries. While Taylor might succeed in making money in the short term, his career path is more likely to remain stagnant due to his dismissal of galleries. Artists in the Real Estate Agent relationship type are more likely to be in a situation without a gallery association in the COVID era as compared to those in the Artist's Agent category, making them susceptible to permanently losing their place in the 'art machine'.

Cultivation of customers. Real Estate Agent galleries acquire prestige in the market by having the right connections in the 'art machine'. According to Meyer and

Even (1998), one way to develop good connections is through the optimal use of marketing strategies. Acquiring prestige is essential to cultivating customers with high cultural capital (Webb et al., 2002). However, Real Estate Agent galleries do not restrict their customer base to 'high' arts purchasers. They use supplemental products such as framing, conducting art classes, and selling art supplies to acquire low cultural capital customers as well, whose spending patterns span a wide price range.

In the initial months of the pandemic, a few Real Estate Agents such as Vanity galleries benefitted from an existing customer base. They kept afloat by contacting their long-standing collectors to enquire about the need for commissioned artwork by gallery owners. Hence, the Vanity galleries were not affected by the lack of cultivation of external artists, at least in the initial months of COVID-19.

However, due to an online shift of the customers, long-term sustainability of the current practices of this relationship type needs to be seen. There is little to no cultivation of the online audience. In fact, John finds relief in the fact that framing will mostly always be an in-person service, "There are so many choices, people get overwhelmed. And yeah, you have to have the artwork in person. Otherwise, you have to mail it to someone, they have to frame it and mail it back to you. So, framing I think is always going to be an in-person thing, at least for you know, original artworks. […] Framing is in less danger of getting taken over by online sales." While there were abundant references to the cultivation of online customers in the Artist's Agents interviews, Real Estate Agents did not once express the urgent need to generate interesting online content, consolidate various social media platforms or enable online customer-to-customer interactions. Without skillfully utilizing the digital platforms, retention of old customers and acquisition of new ones might become a challenge for the Real Estate Agents in the coming months.

Summary. Real Estate Agents are a high cultural capital version of the Low-end Specialty relationship type, such that their front-end practices appear similar to those of Artist's Agents. However, the strike of COVID-19 has made the differences between Real Estate Agents and Artist's Agents apparent, resulting in a not-so-positive outcome for Real Estate Agents. The gallerists in this relationship type form transactional bonds with their associated artists. Due to this short-lived nature of their interactions, the gallerists constantly fear being backstabbed by their artists. Hence, even though the artists and gallerists have established an online presence, there is no collaboration between the two. Most have either shut down or are relying on ancillary services such as framing for revenue generation.

Low-end Specialty

Due to the COVID-19 induced lockdown of non-essential businesses for a few months, the galleries in this relationship type were not able to provide their chief value proposition of a place to display art to the artists. Hence, these galleries either had to shut down or suffer huge losses in revenue. However, the artists in this category have thrived in this period by being in direct contact with the collectors. Artist Manya, who did not have a gallery representation at the time when the second round of interviews was conducted, remarked that their sales had increased. In fact, even after the galleries re-opened, Low-end Specialty artists were receiving requests for commissioned work.

Limited credentialing for Low Art. Due to the closure of physical gallery spaces at the start of COVID-19, the limited credentialing provided by the Low-end Specialty gallerists has been rendered moot. Since the pricing in this category has traditionally been arbitrary with a focus on keeping the prices on the lower side of the market potential, customers feel confident about the price being charged directly by the artists. Also, relying solely on the artist without gallery intervention is enough for the customer to ensure visual appeal. This situation is unlike that of Artist's Agent galleries who have continued to play their gatekeeping role focused on high arts. As Artist Mary puts it, "It's apples and oranges and you're in different markets."

Place of display. Since the start of the pandemic, the role of the Low-end Specialty galleries has been further undermined because the artists in this category do not restrict themselves to placing their work only in regulated art world spaces such as a gallery. Artist Manya describes how she is utilizing these supplemental non-regulated settings such as restaurants and retail stores in the times of the pandemic.

> I'm thinking about, "what are some alternative options to having people view the work without having to go into a restaurant or being into an open air?" because they're saying that being outside is better for people. So, there was a restaurant surveyor that took my artwork and put it on a wall with a vinyl. So, I know that there are vinyl panes you can use in retail stores, like people put them in the windows […] I could have a window where I could put my work in, and people could see it from the outside versus having to come in the inside.

While artists in the previously discussed artist-gallerist relationship categories remain prolific by exhibiting widely across galleries, fairs and museums both locally and internationally, Low-end Specialty artists tend to get stagnated due to a sole focus on local venues. Robertson (2005) in his rise to stardom chart explains how artists can expand their reach and avoid stagnation only by exploring multiple avenues including non-local ones.

In the times of the pandemic, when there has been uncertainty regarding whether the artists should continue their gallery representation or start functioning as stand-alone artists, Low-end Specialty artists have the advantage of being free to pursue any venue for displaying art. Artist cum photographer Dale uses the absence of exclusivity contracts and consistent pricing in this category to his advantage. When asked about how he is faring during COVID-19, he quips, “I'm always kind of looking at the spectrum [of customers], I don't want [art] to sit here and collect dust.”

Cultivation of artists. My data suggests that since the start of the pandemic, the rotation of artists and their exposure to events such as first Thursdays/Fridays has been limited. This has affected the resume building endeavors of many new artists, as they are not getting any gallery exposure. Artist Keith opines, “I personally do not think there will be any long-term impacts on the art world from COVID … The problem that I am concerned about is the loss during the waiting time. I hope that we do not lose emerging talent because of the financial difficulties.” Even though the Low-end Specialty artists can display art widely, their career paths, as defined by scholars such as Robertson (2005) and arts consultancy firms such as Morris Hargreaves McIntyre (Rodner and Thompson, 2013), tend to include low-level galleries as one way of getting initial validation in the field, albeit a stagnant one.

Since artists in this category are now to a certain extent on their own, they are heavily relying on direct commissions from customers. Artist Manya suggests that most of these commissions are obtained through the word of mouth, as online presence of Low-end Specialty artists is still at a nascent stage. Given the low cultural capital of the category, redirecting traffic through a representing gallery is not only extremely unlikely, it is untenable. Hence, the Low-end Specialty artists try to establish good connections directly with the customers for success in the market. Meyer and Even (1998) describe the process of artists accepting commissioned projects, which involve working to customer specification. Interestingly, commissioned work across the relationship types involves respecting customer's wishes, even though artists in some relationship types deny getting influenced by the market.

Cultivation of customers. Since the start of the pandemic, accessing new artists through local galleries, art fairs and receptions has become challenging. Hence, the customers of this category have resorted to directly approaching budding artists. Since customers were already taking a risk by investing in unvalidated artists by purchasing through Low-end Specialty galleries (Heilbrun and Gray, 2001), there are no additional uncertainties in purchasing directly from the artist.

Summary. The primary value proposition of Low-end Specialty galleries has been the provision of a place for display for emerging artists. COVID-19 has directly impacted this prime value proposition, resulting in the closure of most of these gallery types. While most artists in this category functioned as stand-alone enterprises even before the advent of the pandemic, COVID-19 resulted in them getting the galleries' share of the business as well. These artists have continued to explore non-traditional avenues to display their artwork, such as restaurants, because of the absence of exclusivity contracts in this relationship type. Also, the artists have benefitted from a surge in demand for commissioned artwork, for which the artists have established direct connections with the customers. Since the artists of this category already have a market-oriented approach in their creation of artwork, it helps that the commissions tend to be customer-focused.

Not-for-profit. Since the Not-for-profit is a subtype of the Low-end Specialty relationship type, in this section I will depart from the format of specifying each value creation mechanism. Since the start of COVID-19, artists' reliance on Not-for profit galleries for getting early exposure has dwindled. Lan cites the cancellation of art receptions for the artists showing at her gallery as one of the worst effects of COVID-19 on emerging artists. An art reception is a social event that celebrates the artist's work and provides a business opportunity for the artist. Now, because of the cancellation of these receptions, the buzz created around new artists is absent.

However, some Not-for-profit galleries have been successful during COVID-19 by utilizing the digital medium to promote artists and sell their artwork. Gallerist Cecillia moved out of her physical gallery space and started an online gallery a few months before the lockdown restrictions due to COVID-19 were imposed, such that an audience was cultivated before the pandemic. She expounded on the unique concept on which her online gallery is based, "We told artists to create pieces that were small, we say everything had to be 24 inches in any direction or less, and it had to cost less than $250. So those beginning collectors and other artists that tend to be typically strapped for money, this allows artists to sell small pieces. And also, during a time period whenever people are sensitive about where they're putting their money and what the future holds, it allows people to purchase art at an affordable price point." Cecillia's customer base consists of first-time buyers whose price expectations are met by her gallery's social and cultural positioning in the art field (Benhamou, 2001; Velthius, 2007). Since the Not-for-profit category has overlapping low cultural capital customers with the Real Estate Agents, its parent category of the Low-end Specialty and standalone artists, it is worthwhile to revisit the rules governing the relationship types to understand why the customers might prefer one category over the other. For something to be identified as art, at least one of the following conditions needs to be satisfied: it is placed in an artistic context (such as a gallery), it is made by someone recognized as an artist, it is legitimized by gatekeepers (such as gallerists) and it has customers who view or buy it (Webb et al., 2002; Preece et al., 2016). Ostensibly, Real Estate Agent galleries outperform Low End Specialty galleries and their subtype in most of these conditions, since they have a higher accumulated social capital, both as standalone institutions and as co-creators of value in their relationship type (Parmentier et al., 2013). However, Cecillia's gallery has managed to survive the stiff competition and non-conducive macro-level conditions because it has continued to co-create value with its artists. Cecillia adds, "[We] take only 25% of what is sold, which typically in a gallery situation for an artist is 40%-50%." Because of the low commission rate and a ready online presence right at the onset of the pandemic, artists have vied to associate themselves with the gallery, which showcases one artist every month. From the customer point of view, the affordable price point attracts beginning collectors and art patrons with smaller budgets.

The aforementioned situation indicates the urgent need for Not-for-profit galleries to go digital as a means to survive the pandemic. Martegani (2020) emphasizes the need for art organizations to become adaptive, rather than reactive. There also exists another class of Not-for-profit centers that helps artists find unconventional avenues for displaying artwork, such as public spaces. Artist Ken feels positive about the proliferation of public art, "Another big positive during this COVID-19 world has been the increase of Public art. Murals are big at this time. This has provided opportunities for individuals and groups of artists." Artist Dale is associated with a Not-for-profit organization in Midlandia in the capacity of a board member, such that he connects artists to suitable public art projects. Other Not-for-profit arts organizations such as More Art harness the power of public art as well and have continued with projects started before COVID-19 (Martegani, 2020). Overall, a few Not-for-profit centers might be performing well, but the outlook for Not-for-profit centers is gloomy. As an example, the Not-for-profit centers in New York lost a staggering $500 million in the initial months of the lockdown (Dafoe, 2020). The stakes have been even higher for small organizations that do not have cash reserves to rely on for unplanned expenses.

CHAPTER 8

DISCUSSION

This study is situated at the intersection of market systems and the visual art market that is imperative to understand the fundamentals of value co-creation at the level of practice. The visual art world is organized as a Bourdieusian field of cultural production with its own set of rules, narratives, individuals and institutions (Webb et al., 2002). While individuals can effectively position themselves in this field to accumulate the requisite social capital, they are inextricably linked and hence it is imperative to understand the relationship between them (Preece et al., 2016). In fact, Becker's (1982) definition of the art world centers on it being a network of people whose cooperative activity and joint knowledge produces art. In this dissertation, I demystify the art world markers to reveal a set of interdependent artist-gallery relationship types that lead to the movement of artwork in the art market system. Since Bourdieu further shows that cultural practice is a result of a set of social conditions, I identify changes in the practices of the various relationship types due to the advent of COVID-19.

As Becker (1982) points out, good social science does not discover new things. Rather, it produces a deeper understanding of entities that people were already aware existed. In the context of my study, various members of the art field, including but not limited to the artists, gallerists and audience already engage in the co-creation of value depending upon their role in the art machine (Rodner and Thompson, 2013). These members might not be aware of the different relationship types per se; nonetheless they affiliate with the one that works in accordance with their accumulated social and cultural capital. Through unpacking the various value creation mechanisms in the visual art field, I demonstrate three relationship types between artists and gallerists. These types are unique in the way that they orient practices around specific value generating mechanisms (i.e., credentialing, reputation building, providing a place of display, cultivating artists and cultivating customers). It is worthwhile to note here that these mechanisms have emerged from the data collected for this paper, such that they form the pillars of the artist-gallery relationships.

To summarize, the first artist-gallerist relationship type I unpack is the Artist's Agent relationship, which alludes to what is called 'high' art and has no explicit market objectives (Botti, 2000). Rather, it is specifically related to the formation of artistic tastes and preferences of the consumers (Larsen, 2013). It accumulates symbolic capital by sending quality signals to the market and not engaging in market-oriented practices. A subset of the Artist's Agent relationship type is called the Social Enterprise, wherein the galleries aim to assist marginalized artists. For instance, some Social Enterprise galleries seek to address an abysmal lack of diversity in the art field. One factor that likely contributes to the underrepresentation of African American artists, for example, is the increased privatization of the art field under neoliberalism beginning in the 1980s (Wu 2003). It promoted a close-knit group of racially homogenous museum and gallery trustees who further supported racially similar artists. Social Enterprise artists and galleries seek to redress this imbalance. The second relationship type is the Real Estate Agent type that follows practices aligned with neoclassical norms of profit maximization.

This is the default approach that is assumed by actors across fields. However, unlike other fields, the primary purpose of objects produced in the art field is to be symbolic rather than material (Webb et al., 2002). Hence, Real Estate Agent galleries' aim of seeking immediate economic profit can be considered unscrupulous by art connoisseurs. Thus, they mimic the front-end practices of Artist's Agents because they indicate a high cultural capital. The third and final relationship type I unpack, Low-End Specialty, is different from both Artist's Agents and Real Estate Agents in the sense that it is a low cultural capital type. It constantly struggles to distinguish its products from being treated as junk art that is typically sold in souvenir shops and on sidewalks (O'Neil, 2008). This is primarily due to the fact that Low-End Specialty galleries have limited expertise and represent novice artists. These galleries frequently rotate their represented artists and rely on walk-in customers for selling artwork. This relationship type has a sub-category called Not-for-profit, which operationalizes the value creation mechanisms in the same manner as its parent category. However, it warrants a separate identification because this sub-category is mission driven in terms of cultivating artists.

Artist's Agent galleries cater to high cultural capital artists and customers, Low-End Specialty galleries cater to low cultural capital individuals and Real Estate Agents cater to both. Interestingly, although low cultural capital artists and customers cannot move over to the relationship types entailing high cultural capital individuals/institutions and vice versa, there is an overlap. Even when artists are making a strategic choice about which gallery to approach, the back-of-the-house practices that truly differentiate these categories are rarely apparent. In other words, an artist might get associated with a Real

Estate Agent gallery or a customer might purchase artwork from one without any awareness of the fact that it is different from an Artist's Agent gallery.

Pre COVID-19, even if the artists suffered due to getting associated with a gallery that was the wrong fit, they could move to another gallery in the same or different relationship type. Artist Taylor shifted from a Social Enterprise gallery to a Real Estate one within a short period of time, since the former's mission did not align with theirs. However, since the advent of COVID-19, the movement of artists between relationship types has been less fluid. The Artist's Agent relationship type has emerged as the dominant relationship type for high cultural capital artists and customers. For artists with a low cultural capital, no gallery association has emerged as the most profitable option, as low cultural capital customers are engaging in direct purchases. The value creation mechanisms and the various relationship types theorized in Part I of this research pave the way for construing the detailed effects of a macro-level intervention on the art field, as described in Part II.

In other words, the first contribution of this study that is incidental to Part 1 lies in enhancing the conceptual clarity in the visual arts marketing literature by understanding the practices involved in value co-creation, examining the producer-intermediary (artist-gallerist) link and investigating the role of the different relationship types between artists and gallerists in creating value for both parties. I analyze how fine art moves through art distribution channels in emerging arts markets using a market systems approach. The second contribution of this study that is incidental to Part II is to analyze how the COVID-19 intervention has led to a reorientation of artist-gallerist relationships and by extension, the art market system. An important boundary condition to note here is that these contributions apply to an emergent art market. The findings fit within a collection of contemporary studies that lay the ground for the movement of artwork through the visual art market systems with the help of value co-creation (Robertson, 2005; Webb et al., 2002; Rodner and Thompson, 2013; Ertimur and Coskuner-Balli, 2015; Preece et al., 2016; Giesler and Fischer, 2017; Kharchenkova, 2018; Schau and Akaka, 2020).

Value creation is the foundation of businesses (Schau and Akaka, 2020). Businesses are embedded in market systems that consist of relationships between various actors. When two or more of these actors produce both material and symbolic value in a collaborative peer-like process, it is called value co-creation (Gummesson et al., 2014). Thus, the conceptualization of value creation has shifted from a linear value chain perspective to a co-creation notion that takes place through interaction between actors (Karababa and Kjeldgaard, 2014). Prior research has examined value co-creation from various perspectives, such as a service versus product perspective (Solomon et al., 1985; Bitner et al., 2000; Vargo and Lusch, 2004) and the symbolic and cultural inclination of value (Holbrook and O'Shaughnessy, 1988; Belk et al., 1989; Arnould and Thompson, 2005). Most of these perspectives consider co-creation to occur through interaction between customers and producers (Prahalad and Ramaswamy, 2000; Peñaloza, 2001; Vargo and Lusch, 2004; Gummeson, 2008; Jonsson et al., 2008; Vargo and Lusch, 2008; Zwass, 2010; Pongsakornrungsilp and Schroeder, 2011; Gummesson et al., 2014). Over-exploration of the relationship between producers and consumers in the existing literature has limited our knowledge pertaining to the full set of values created between all the relevant actors who make market systems run. This leads to the previously noted economic actor bias (Giesler and Fischer, 2017). By conducting my research in the visual art field, I suitably address this bias by shifting focus to relationships with intermediaries when studying value co-creation. Although there are idiosyncrasies in the visual art market, the practices that I unpack between the key relationship of producers and intermediaries offer a conceptually important demystification of value co-creation that is relevant across similar market systems.

The visual art field provides an ideal context to extend literature on co-creation because of the unique nature of art. Goods and services produced in the art field are intended to be aesthetic rather than functional (Webb et al., 2002). Hence, interactions between actors in networks influence artwork evaluation, as its value cannot be easily measured (Powell, 1990). Rodner and Thompson (2013) acknowledge that these actors share a code of ethics or rules for co-creating symbolic and financial value for art. I elaborate on these rules in my study in terms of value creation mechanisms and the practices that underlie them, thus providing a comprehensive view of value co-creation. As I noted earlier, artists are intuitively aware that the art machine's existence, comprised of artists, intermediaries, and buyers, is imperative for value production.

My study directly complements Preece et al.'s (2016) research on value co-creation between the artist and various other actors. In their framework, Preece et al. situate the artist at the center of a complex association of actors and elaborate on value co-creation by describing the ensuing social relationships. The authors point out that constricting the understanding of value co-creation to the producer-consumer relationship might provide a parochial view of the concept. Some actors are more privileged than others in creating value. The authors elaborate on the relative importance of various elements such as the product, its creator, art experts, placement context and consumers and the processes through which these elements interact with the artist to contribute to the artwork valuation. The patterns of hierarchy described in their paper situate dealers/ gallerists as the single most important signal of trust in the visual art market. My work takes their study further to elaborate on the specific mechanisms that govern the interactions between the two players that emerge as instrumental: artists and gallerists. Recent work by Wickham et al. (2020) again opts for the network perspective on value co-creation to better understand the art product concept. However, none of the papers appears to have explored value co-creation beyond logics and processes (e.g. Scaraboto, 2015). This raises the question of whether the currently existing list of logics in the visual art market is exhaustive. If not, can there be logics in addition to the ones that appear to exist from an institutional/ firm-level perspective? To answer these questions, my work focuses on the artist-gallery relationship at the level of practice, and contributes to a more comprehensive depiction of the visual art market. The purpose of using a practice level approach is to exhaustively examine the logics that exist in addition to the two (art for art's sake and art for material gain) that are defined by an institutional approach.

Moreover, practices are recognized as being instrumental to value co-creation. However, researchers have only begun to study the two in tandem, such as in the work of Schau and Akaka (2020). Their work specifically focuses on the firm-customer relationships. My research similarly re-conceptualizes value co-creation in terms of the constituent practices that emerge specifically between producers and intermediaries. As pointed out by Karababa and Kjeldgaard (2014), the notion of value is elusive and requires a comprehensive understanding. The processes related to value creation and transformations occur in specific contexts through the practices of actors (Schau et al., 2009). I unpack similarly conceptualized practices that together form five value creation mechanisms. Understanding value co-creation via the underlying practices leads to a reconceptualization of value between producers-intermediaries in a manner similar to that between firm-customers, as specified in Schau and Akaka's work. First, examining at the level of practices can lead to different value outcomes for the same value co-creation mechanisms. For example, the Artist's Agent galleries engage in the value creation mechanism of reputation building by following practices such as not housing art by the gallery owners and solely displaying artwork of their represented artists. As mentioned by Artist Dan, housing art by gallery owners is disadvantageous for the represented artists because gallery owners display their own art at the front of the gallery in place of the artwork by other deserving artists. Hence, when the galleries refrain from displaying art by the owners, they increase their credibility and trust with the artists. Although the Real Estate Agent galleries also engage in the value creation mechanism of reputation building, they follow the practice of displaying art by the gallery owners alongside artwork created by their represented artists. Since the galleries (institutions) in the two relationship types shape the aforementioned practice underlying reputation building differently, the value outcome is distinct for both. Second, the practice theoretical approach leads to an extended view on value outcomes that is not limited by temporal or situational contexts. The pandemic can be considered as an example of a situational context. Because this study unpacks the practices underlying the value creation mechanisms, it is possible to parse out the specific practices that have been followed both before and after the pandemic and have led to the survival of certain relationship types over others. For example, looking at the cultivation of artists as a value creation mechanism without the underlying practices might make Artist's Agent galleries appear similar to Real Estate Agent galleries over time and even after COVID-19. However, the specific practice of forming a long-term relationship with artists that constitutes the mechanism of cultivating artists in the Artist's Agent relationship type categorically leads to a different value outcome. Artist's Agents have experienced astounding success since the start of the pandemic, whereas most Real Estate Agents in the sample have shut down. Third, uncovering practices helps in narrowing value co-creation to specific social and cultural contexts, which are constituted by social systems and structures (Giddens, 1984). In other words, simply looking at value creation mechanisms might not help us distinguish between the various relationship types, which are a function of these contexts. The constituent practices are influenced by social structures such as the relationship types of Artist's Agents, Real Estate Agents and Low-end Specialty. For instance, Artist's Agent galleries follow the practice of imposing exclusivity contracts on their represented artists, which entail conditions such as the artists not displaying artwork within a 25-mile radius of the gallery. In contrast, the structure of Low-end Specialty galleries does not support such contracts, as the galleries cannot provide enough business to artists to impose restrictions on alternative places of display. My research is able to provide a nuanced approach to value co-creation that not only explains how value is co-created between artists and gallerists, but also how it varies between different types of artists and gallerists. I explore why this distinction is important next.

The insights from this study should be relevant in any context where the market is not assumed to be functioning singularly by the market-based exchange logics as defined by neoclassical theory. Markets that are organized by a dominant institutional logic attract researchers who focus on studying the evolution of markets in terms of replacement of logics, such that when multiple logics exist in the market at the same time, the dominant logic eventually triumphs the other logics (Vargo and Lusch, 2005; Humphreys, 2010; Ertimur and Coskuner-Balli, 2015). Here, logics can be defined as material and symbolic principles that influence practices, assumptions, values, beliefs and rules that individuals use to interpret reality (Friedland, 1991; Thornton and Ocasio, 1999). My research addresses the simultaneous existence of multiple logics in the visual art market that are created at the level of practice. Although the presence of multiple logics in markets is not a new phenomenon, existing literature does not address the practices that lead to the creation of these logics. The exceptions address the importance of practices in expanding existing industry logics, such as the work by Martin and Schouten (2014). However, their work focuses on consumer driven market development for the minimoto market that is in harmony with the existing market offerings and does not parse out the aforementioned logics. In certain markets, it is imperative that analysis is conducted at the level of practice to unpack logics that appear similar on the surface. A prominent example of a market that includes competing logics is the visual art market (Sholette, 2004). The rivalry of logics is best described as ‘arts for art’s sake’ as juxtaposed against art created for commerce and profit (Larsen and Kerrigan, 2018). In my research, the former is addressed by the metaphor of ‘Artist’s Agents’ and the latter by ‘Low-end Specialty’. Galleries as intermediaries are positioned such that they cater to both these logics. Hence, examining the artist-gallery relationship at the level of practice contributes to a nuanced understanding of the underlying principles behind these logics and the subsequent revelation of a third logic addressed as ‘Real Estate Agents’. It is the underlying practices that differentiate Real Estate Agents from the other types and are consequential in the face of an exogenous shock. As an example, Artist's Agent galleries cultivate artists by forming long-term relationships with them. As gallerist William from Midlandia noted earlier, he followed artists he intended to represent for years before taking them on board, with the aim of representing them long-term irrespective of the selling potential of the artists' work. On the other hand, Real Estate Agent galleries frequently rotate their artists. Gallerist cum artist John stopped showcasing artists other than himself during the initial months of the pandemic. It is worthwhile to reiterate here that if we compare Artist's Agents with Real Estate Agents without the lens of their underlying practices, both appear to follow similar principles of production for creators of 'arts for art's sake', which per Webb et al. (2002) include imagination, truth and freedom from social or economic influence. The insight in this section builds on research on plural logic markets by Ertimur and Coskuner-Balli (2015). In fact, factors leading to market evolution as described by their work have direct implications for the visual art market. Markets characterized by plural logics are sustained by the cultural capital of market actors and the legitimization of distinct logics. The authors note that a key challenge faced by brands in the U.S. yoga market is to decide how to combine distinct logics and draw from brand practices prescribed by these logics. However, the logics of the yoga market as unpacked by the authors and their associated beliefs, values, rules and practices are based on a firm-driven model of market development. Since co-creation occurs at the level of practice, my research is carried out at that level to parse out the logics that appear deceptively similar to each other from an institutional focus. I then proceed to analyze the practices that are robust in the face of an exogenous shock.

Now, the heterogeneity in logics can be equated to heterogeneity in the artist-gallerist relationship. Interestingly, the literature in the field acknowledges that customers (who are an integral part of these social networks) are heterogeneous, such that those participating in 'high' arts are different from the traditional art customers (e.g. Larsen, 2013). However, studies unanimously assume that customers belonging to different brackets of cultural capital are serviced by a singular class of gallerists and artists. Although a robust literature does examine how gallerists and artists function, validate art, and set prices (O'Neil, 2008; Velthuis, 2007), it is worthwhile to accept that the artist-gallery relationship should be creating different types of value depending upon the customers they service. Robertson (2005)'s classification of galleries as alpha, beta and gamma as three distinct tiers of validation for an artist progressing from art school to stardom or its reinterpretation as cited by Chong (2009) is closely aligned with our theorizing of various galleries servicing artists in different stages of their career paths. Here, gamma galleries can be compared to the Low-End Specialty galleries and alpha/beta galleries can be considered similar to Artist's Agent galleries in terms of artist exposure. However, as pointed out by Rodner and Thompson (2013), there is a lack of distinction in terms of the value added by Robertson's gallery types to the artist and his work. This in turn leads to an oversimplified process of classification of small galleries as gamma and the bigger ones as alpha and beta, a gap that is addressed by my research. My typology is more insightful because I look at how each of these types aligns with logics and a specific mix of practices that only become visible because of working in emerging markets. When the context is a developed market such as New York, it might be sufficient to classify the galleries as alpha, beta and gamma (large, medium and small).

However, my classification is more meaningful because even in a place like New York, there might be a nuance that is missed by classification purely on the basis of size.

This study is conducted in emerging markets, a context identified as a necessary boundary condition. On the subject of the level of market sophistication, scholars and journalists generally think in terms of binary categories, with Western art markets at one end and emerging art markets at the other end (Ho, 2008; DeBevoise, 2014). Established markets are considered to be structurally different from emerging markets in terms of customer sophistication, the number of intermediaries, pricing strategies, and the type of collaboration between actors (Kharchenkova, 2018). Interestingly, most of the research that exists on emerging art markets focuses on the geopolitical context of China and/or Venezuela (e.g. Rodner and Preece, 2015; Kharchenkova, 2018; Rodner et al., 2020). One of the reasons cited by Rodner and Preece in their paper for choosing this context is providing a fresh perspective to readers in terms of breaking away from the Western-dominated arts marketing discourse. A similar sentiment is expressed by Kharchenkova (2018), who focuses on the emic understanding of market emergence for an emerging art market in China. The first organizations of this market emerged in 1990s and its rapid emergence is closely linked with foreign markets. Specific characteristics of emerging art markets as unpacked by Kharchenkova include a lack of trust and long-term ties between artists and gallerists, random pricing by artists' studios and gallerists, artificially inflated auction prices and commercial motives. Another development that took place in the 1990s was the Bolivarian Revolution that led to a prolonged period of institutional disruption in Venezuela. Rodner et al's paper hinges on this disruptive institutional work over the past 20 years in Venezuela's art world to study the various aspects of space.

My research unpacks the artist-gallery relationships in two emerging markets in the Western world. My setting is similar to the one used by O'Neil (2008) to examine how artists price artwork. O'Neil conducts interviews with visual artists who belong to a city in the southwestern United States that is not recognized as a national center for the arts and can be suitably termed as an emerging market. While most characteristics of this market overlap with those of the Chinese and Venezuelan markets, some are distinct. Only a few local artists have representation in major national and international markets. Most sell their work locally and in other peripheral markets. Depending upon the gallery, the price typically ranges from $200 to $5000. The city has a plethora of new and struggling artists. Hence, there is a variety in terms of the types of venues where the artists with varied experience show their work. Not all artists have exclusive relationships with galleries. The emerging markets I use in my study have similar characteristics. As noted earlier, all three artist-gallery relationship types that I demarcate in my study have a range of overlapping prices. The new and struggling artists typically get aligned to the Low-end Specialty galleries, whereas the established ones tend to enter into exclusive relationships with Artist's Agent or Real Estate Agent galleries. In fact, emerging markets deepen our understanding of how multiple motives co-exist in the art market system. Using emerging markets as the research setting has been imperative to understand the impact of COVID-19 on value co-creation in the various relationship types. Findings of Part II of the research indicate that Artist's Agents have emerged as the most successful relationship type, followed by stand alone artists. Most Real Estate Agents and Low-end Specialty artists/gallerists are struggling. Since customers need credentialing for higher priced artwork, price as a partial diagnostic phenomenon might work in developed markets, wherein there are huge price differences between artwork produced by the various relationship types. However, for emerging markets, there are price overlaps between the relationship types. Hence, only in this setting, value co-creation practices that are robust to an exogenous shock can be unpacked.

Conclusion

The previous sections mapped how different relationship types between artists and gallerists exist in the art field. The findings have been drawn from in-depth interviews and observations carried out in two emerging US markets. While the practices are generic enough to be transferred across markets, there might be certain macro-level phenomenon specific to the US markets affecting the findings. Exploring how actors in markets outside of the US behave can be a useful supplement for this study.

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