

# THE POSITION OF THE MID-MARKET GALLERY IN TODAY'S ENVIRONMENT:

## Strategies for Navigating the Evolving Market

From research for *Selling Contemporary Art: How to Navigate the Evolving Market*

By **Edward Winkleman**



**TALKING GALLERIES BARCELONA SYMPOSIUM**

**29-30 September 2014 | MACBA**

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# Contemporary Art Gallery Levels

*Worked out during conversation with Josh Baer and Elizabeth Dee for panel discussion at Art Basel in 2013.*

- **Mega-gallery:** an influential gallery with multiple international locations, deep pockets, a roster of at least 40 artists, and a public perception that they're continuing to expand their enterprise.
- **Top-level gallery:** an internationally influential gallery, possibly with more than one location, a varying numbers of artists on their roster, and a public perception that expanding their enterprise is not their top priority.
- **Mid-level gallery:** [see below].
- **Emerging gallery:** a gallery that is less than 10 years old; initially (at least) having less international influence and a varying number of artists or perceived ambitions; defined predominantly by how new the gallery is, but also generally by having a roster of emerging artists and usually being the owner's first gallery.

# What Makes a Gallery Mid-Level?

- No longer considered an emerging gallery (because they are older than 10[?] years), but are simply not considered top-level just yet.
- They are older than 10 years, have failed to gain enough influence or power to enter into the top level, and are viewed as not likely ever to achieve that.
- They choose to focus on emerging and mid-career artists because of the dealer's personal curatorial preferences or aversion to competition, and becoming a top-level gallery is not high among their goals.
- They are older than 10 years old and operate in relative obscurity (meaning they don't participate in any/many art fairs or get much press), but continue to stay in business nonetheless.

# What Makes a Gallery Mid-Level?

- Less access to two critical resources needed to operate like a top-level gallery: time and money.
- Judged by art world insiders based on participation and location within major art fairs.

# Working Definition: Mid-Level Gallery

A gallery older than 10 years; which generally has about 8-24 artists on their roster who mostly fall within the “emerging” to “mid-career” category; which is still usually struggling to secure good placement in the major art fairs; and which often has limited resources to take the steps that could change their position.

# What's wrong with being a mid-level gallery?

A mid-level gallery is an essential part of the gallery ecosystem in which artists who have passed their “emerging” phase, but not yet entered their “blue chip” phase, continue to have the opportunity to experiment and receive commercial gallery support.

This is a good thing.

# What's wrong with being a mid-level gallery?

There are many indications that currently the market is much tougher for middle-level galleries than it is for top-level or emerging galleries.

Even among the challenges every gallery faces, mid-level galleries often have additional elements particular to their situation.

# Why would anyone think it's more difficult for mid-level galleries?

*You can't throw a stick without hitting a mid-level art dealer around here.*

- The **perception** is that the top and lower ends of the market are back up to 2007 levels and growing, but sales for the middle market are actually decreasing. In short, the middle is still struggling as much as they have through the entire financial recession and recovery if not more so.
- In contemporary art, how well you're able to do depends a great deal on how well people think you're doing.
- Published 2013 sales figures reinforce that perception.
- In New York, of all the galleries that have closed since 2008\*, the vast majority have been mid-level galleries (or close to it).

\* <http://howsmysdealing.blogspot.com/search/label/R.I.P.>



# Challenges for [Mid-Level] Galleries (in business terms)

- [Relatively slower sales and the loss of a key consumer sector]  
(cash flow)
- Rising rents in gallery districts  
(overhead)
- Threat of poaching [by bigger galleries] & new questions about loyalty  
(long-term planning, possibly cash flow)
- Perception of speculation vs. connoisseurship fueling many collectors' decisions  
(sales techniques, programming choices)
- Art fairs or online vs. gallery spaces where collectors increasingly make purchases  
(overhead, sales techniques)
- Internet challenging dealers as source for exclusive information  
(promotion techniques, long-term planning)

# Challenges / Strategies for Mid-Level Galleries

Relatively slower sales and the loss of a key consumer sector  
(cash flow)

Two groups that have traditionally contributed greatly to the mid-level market have not returned in strength to collecting since 2008 (in US at least).

## **Doctors**

“At the same time, salaries haven't kept pace with doctors' expectations. In 1970, the average inflation-adjusted income of general practitioners was \$185,000. In 2010, it was \$161,000, despite a near doubling of the number of patients that doctors see a day. “

--*Wall Street Journal*, Aug. 29, 2014

## **Lawyers**

“Nationally, 11.2 percent of [law school] graduates from the class of 2013 were unemployed and seeking work as of Feb. 15, up from 10.6 percent in 2012. Only 57 percent of graduates were working in long-term, full-time positions where bar admission is required, which is an increase of almost a full percentage point over 2012.”

--American Bar Association, 2014

# Challenges / Strategies for Mid-Level Galleries

Relatively slower sales and the loss of a key consumer sector  
(cash flow)

**Case Example:** It's August.

You finally got off the waiting list and accepted into Art Basel Miami Beach. The participation fee is due immediately. You weren't really expecting to get into ABMB.

You call your gallery angel, a doctor, but she reports her practice is suffering and she's scaling back on her art patronage.

The collector you sold that major artwork to at [Liste / Volta / Loop / etc.] over the Summer still hasn't sent you a check. Their assistant tells you they're in Ibiza when you call. Apparently they lost their mobile phone on the beach. It's the slowest part of the sales year for your gallery.

Your overhead has **not** gone on holiday. The ABMB participation fee is due.

# Cash Flow Strategies for Mid-Level Galleries: For Art Fairs

**Factoring:** When a company sells its accounts receivable (i.e., invoices) to a third party (called a *factor*) at a discount.

Art world factoring specialists: FOUNDATION™ ([www.foundationtm.net](http://www.foundationtm.net))

**Art fair backer:** One-time agreement with the terms clearly agreed upon; can include participating as part of gallery team at fair.

**Collaboration:** Many fairs are welcoming proposals from two galleries presenting a booth concept with an interesting curatorial perspective. Not only do such booths get attention, they also cut the costs for each gallery.

**Others:** ???

# Cash Flow Strategies for Mid-Level Galleries: In General

**Overhead doesn't go on holiday**

Many galleries report the true selling season out of their galleries lasts only 6 months of the year -- **mid September through mid December and then March through May.**

The other 6 months, many say, they're essentially losing money by having a physical space.

# Cash Flow Strategies for Mid-Level Galleries: In General

- Secondary market:** Developing a niche in the secondary market can be the best long-term cash flow solution for mid-level galleries dedicated to a program that doesn't always keep them solvent.
- Complimentary business:** An art fair; a book store (STAMPA in Basel); a bar (Gavin Brown in New York); artist studio space rental (Interstate in Brooklyn), etc.
- Collaboration:** TRANSFER (Brooklyn) and XPO (Paris) [both actually emerging galleries, but...] collaborating to bring transAtlantic collector attention to artists in sync
- Other:** ???

# Challenges / Strategies for Mid-Level Galleries

## Rising rents in gallery districts (overhead)

### New York

"**Desperate Art Galleries Give Up as Chelsea Rents Double,**" *Bloomberg*, February 20, 2013

"Slicing up the Big Apple: **New York's galleries scatter as rents rise and generations shift,**" *The Art Newspaper*, October 24, 2013

### London

"East End art **galleries forced to go west as local scene 'dies'**," *The Guardian*, June 6, 2012

"Galleries unite against Mayfair **rent rises** to find new London hub," *Evening Standard*, May 12, 2014

### San Francisco

"Priced Out: New Tech Wealth and **San Francisco's Receding Art Scene**", *KQED*, February 7, 2014

# Overhead Strategies for Mid-Level Galleries

**Complimentary business:** an art fair; a book store (STAMPA in Basel); a bar (Gavin Brown in New York); artist studio space rental (Interstate in Brooklyn), etc.

**Post-brick-and-mortar “gallery”:** a lot to chatter about this idea in response to both high rents and how much art sells at many fairs (but then many fairs require you to have physical space)

**Relocate:** Examples of New York mid-level galleries that have moved

- \* Los Angeles (von Lintel)
- \* Kansas (Bill Brady ATM)
- \* Upstate New York (Jeff Bailey)

Can have other advantages with art fair acceptance

**Other:** ???



# Challenges / Strategies for Mid-Level Galleries

**Case Example:** You discovered a new artist that no one else believed was important. You championed this artist despite rejection from major art fairs committees or museum curators who just didn't get it. You invested heavily in the production of work by this artist, promoted her relentlessly to your collectors, and formed a close personal bond with her, being available nearly 24/7 as she struggled to stay focused on her work, despite the art world not warming up to her. You were in it together, for the long-run.

Finally, the acknowledgement begins to come through. A major critic finally gets it and writes a rave review. She is invited to a major biennial. Art publications want to do feature stories on her. Major collectors begin to show interest, and soon you have a bona fide waiting list.

You only had the resources to work this hard for a few of the artists in your roster (and to be honest, no matter how hard you worked, this level of success was never going to happen for others on your roster...not in this current climate, anyway). Sales from this one artist now supports your efforts to promote several other artists in the gallery whose sales are far slower.

One day this artist tells you she's leaving to go to Mega-gallery X.

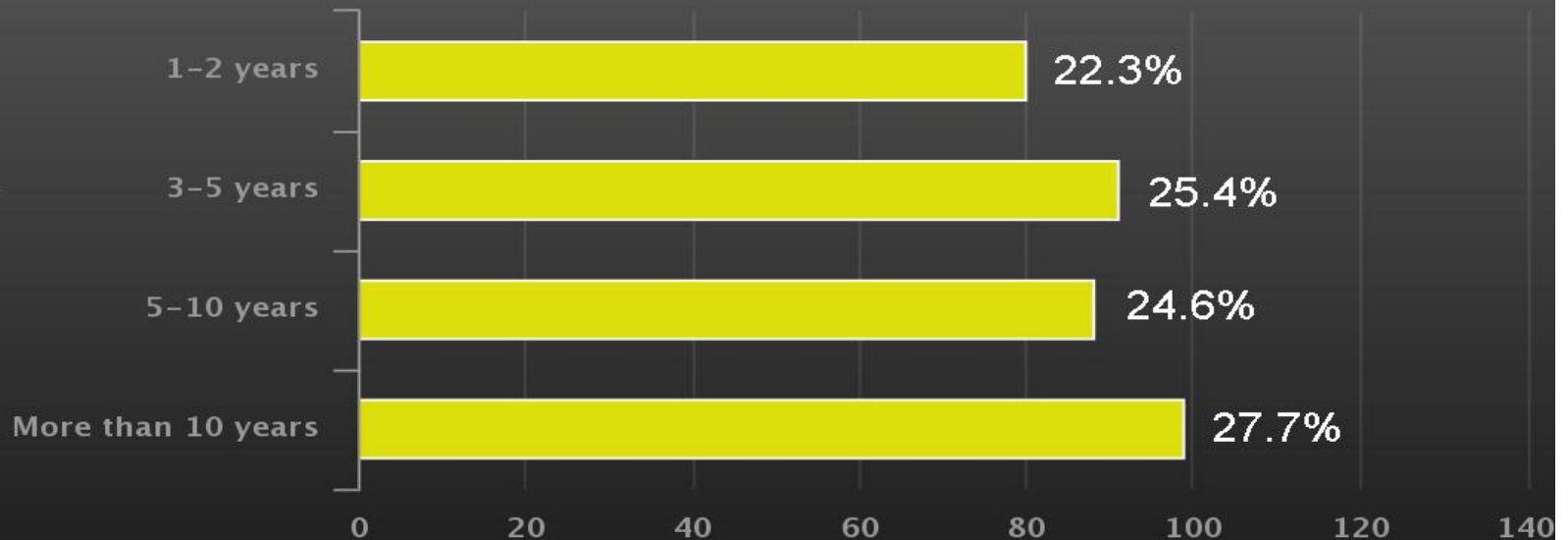
# Challenges for Mid-Level Galleries

## Threat of poaching & new questions about loyalty

Survey of 1,382 artists from 31 countries around the globe.

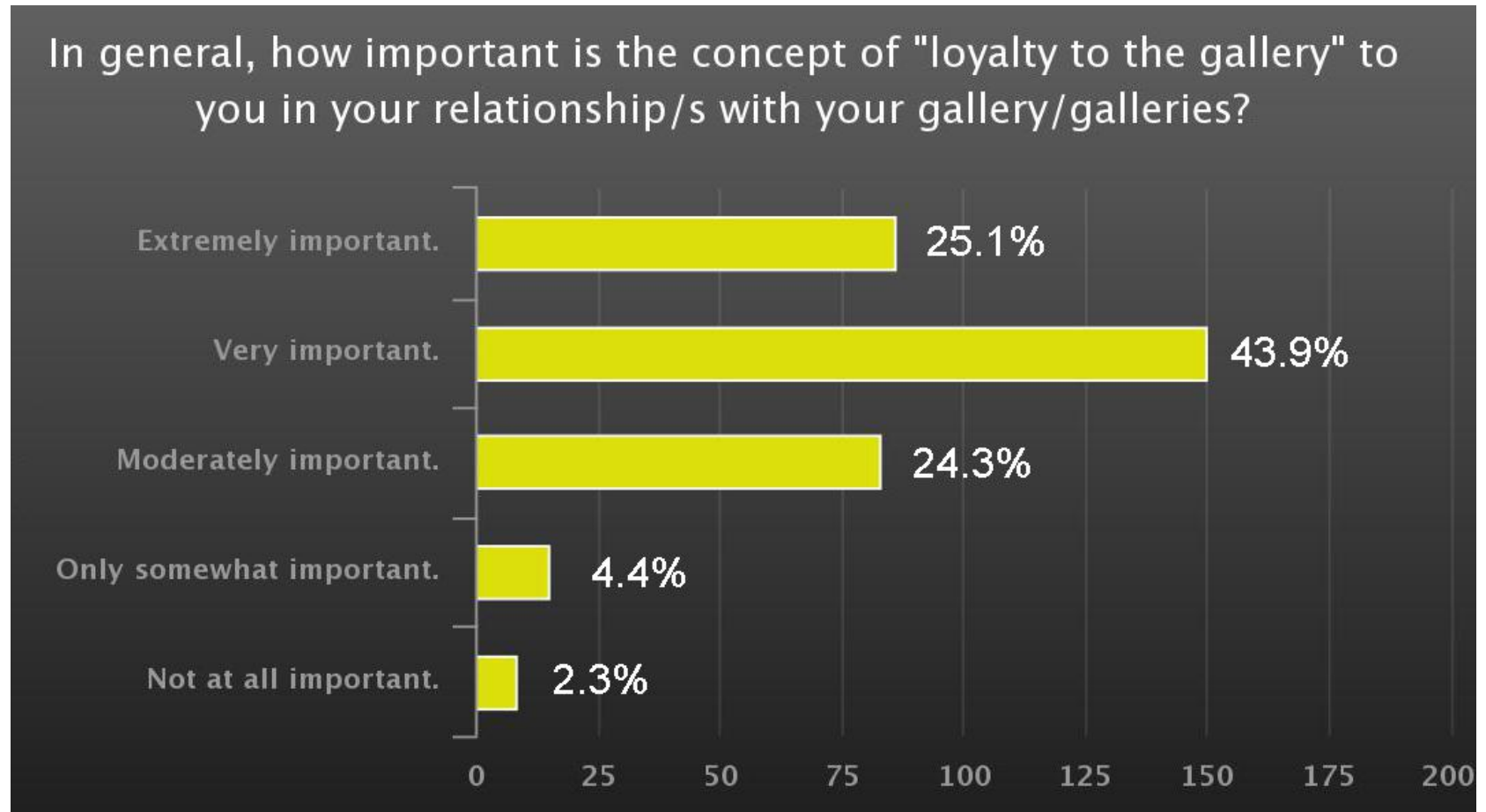
Gallery representation: **545 (39.5%)** | No gallery representation: **835 (60.5%)**

How long have you worked with your gallery/galleries (total number of years represented, even if there has been a break in gallery representation).



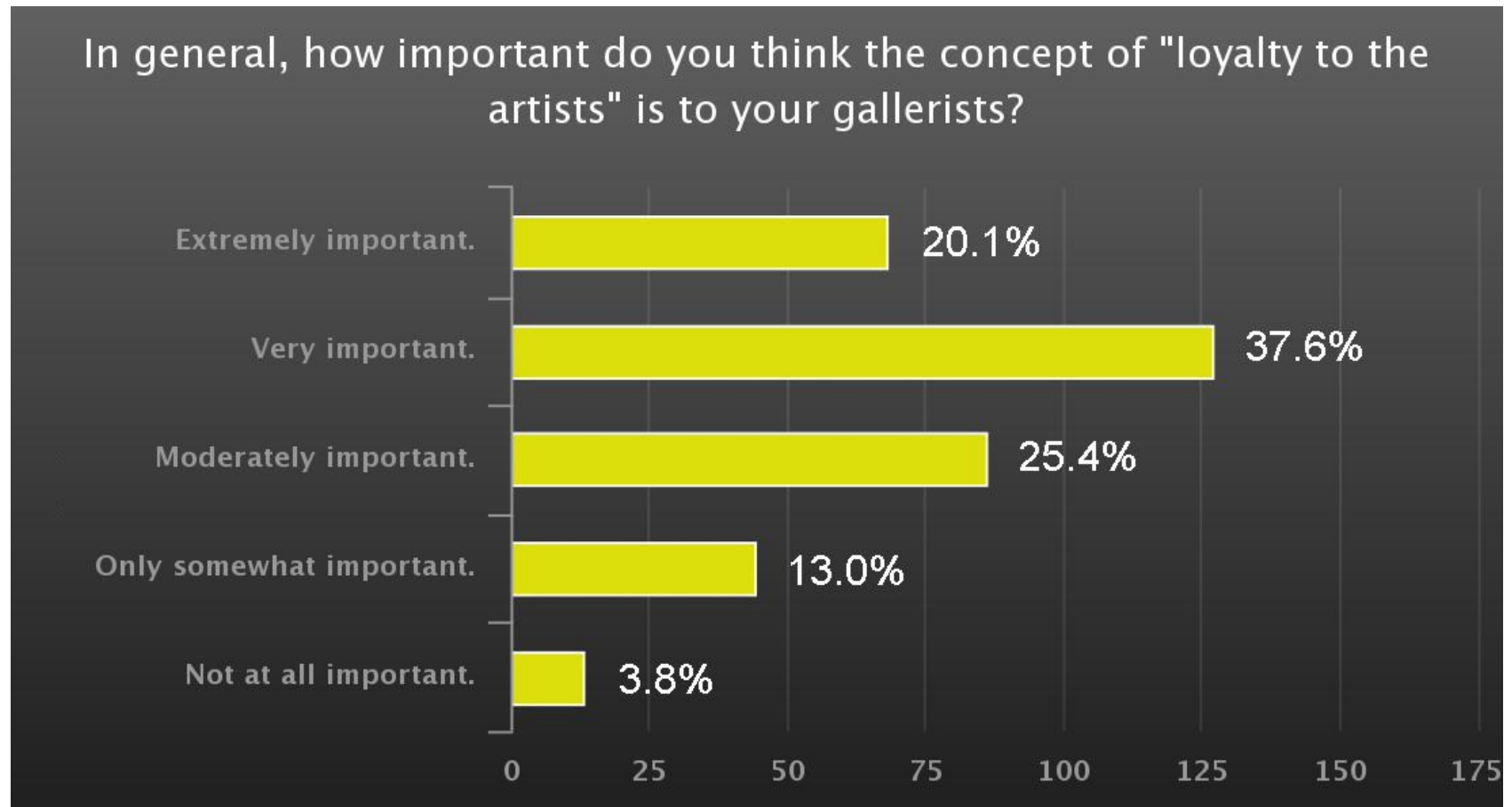
# Challenges for Mid-Level Galleries

Threat of poaching & new questions about loyalty



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# Challenges for Mid-Level Galleries

Threat of poaching & new questions about loyalty

## Survey responses from 545 represented artists

How important is loyalty	For you	For your gallerist
Extremely important	25.1%	20.1%
Very important	43.9%	37.6%
Moderately important	24.3%	25.4%
Subtotal ("important")	93%	83%
Only somewhat important	4.4%	13.0%
Not at all important	2.3%	3.8%
Subtotal ("not important")	7%	17%

# Challenges for Mid-Level Galleries

Threat of poaching & new questions about loyalty

## **What about from dealers' point of view?**

I researched the movement of artists in and out of the rosters of 32 New York galleries:

- 14 mid-level galleries

- 14 top-level galleries

- 4 mega-galleries

For each gallery I created a spreadsheet comparing their 2014 rosters and their 2008 rosters and researched each artist who entered or left.

# Challenges for Mid-Level Galleries

**Artists on 2008 rosters who were no longer on 2014 rosters  
of 14 New York mid-level galleries**

<b>Gallery</b>	<b>Artists still with no current NY gallery (including those presumed just dropped)</b>	<b>Artists with new NY gallery (including those presumed poached)</b>
M1	83%	17%
M2	86%	14%
M3	44%	56%
M4	88%	12%
M5	62%	38%
M6	75%	25%
M7	0%	100%
M8	67%	33%
M9	50%	50%
M10	100%	0%
M11	60%	40%
M12	78%	12%
M13	71%	29%
M14	56%	44%
<b>Averages</b>	<b>66%</b>	<b>34%</b>

# Strategies for Mid-Level Galleries on Handling Poaching

- Discuss this upfront:** Establishing a dialog with your artists about 1) talking with you about any dissatisfactions that develop and 2) how you would prefer to handle things should they decide to leave to work with another gallery, BEFORE it happens
- Stay on friendly terms:** This is strategy (as well as professional courtesy). You want **access to their work** in the future if you can secure it.
- Alain Servais' FIFA idea:** At the very least, establish professional "best practices."
- Buy their work:** Again, before it gets to this point, make sure you buy as much of this artists' work as you can, and then sure, let Mega-gallery X add a few zeros to their prices.



# Strategies for Mid-Level Galleries on Loyalty

- Encourage more loyalty among young gallerists:** Many mid-level galleries seem to be dropping more and more of their artists. The market has become very competitive, and the success a few galleries are having makes it difficult not to assume it's the program's fault if you're not also successful, but artists seem to value loyalty more than many dealers do. One defense against poaching is perhaps demonstrating that loyalty is a 2-way street.
- Reconsider how "representation" works:** Young galleries are quick to "represent" artists as a means of protecting their initial investments in them, while still engaging in the "throw them all against the wall and see what sticks" method of building a program. Perhaps there should be a standardized "pre-representation" phase of working with artists.
- Forget loyalty:** Maybe things have changed forever, and the Leo Castelli model is no longer viable. The future is contracts and more business-like relationships.

# Challenges / Strategies for Mid-Level Galleries

Perception of speculation vs. connoisseurship fueling many collectors' decisions  
(sales techniques, programming choices)

## **Top-level artists: Connoisseurship considered built in**

**Blue chip artists** are understood essentially to already be in the canon, and lasting value is much more assumed. Wealthy view it as safe place to put their money.

## **Emerging artists: Connoisseurship considered less essential**

**Emerging artists'** price points are low enough that both speculators and connoisseurs can buy it without much worry.

## **Mid-level artists: Connoisseurship only real option**

Prices for **mid-level artists** with are expected to continue to rise (by both artists and their collectors), so at mid-level price points speculation is less common. Selling mid-level artists through an appeal to connoisseurship is more effective....until connoisseurship becomes less common.

# Challenges / Strategies for Mid-Level Galleries

**What is the reality?** Is an increase in speculation truly changing the culture of collecting contemporary art?

On one hand:

“Fueled by a flood of new collectors, flipping art has intensified recently as works by untested artists resell for escalating prices.”

(Bloomberg, May 2014)

- **Art Flippers Chase Fresh Stars as Murillo's Doodles Soar** (*Bloomberg*, February 2014)
- **Cultural Entrepreneur Stefan Simchowicz on the Merits of Flipping, and Being a "Great Collector"** (*Artspace*, March 2014)
- **Lund Painting Sold for 1,500% Gain as Art Flippers Return** (*Bloomberg*, May 2014)

# Challenges / Strategies for Mid-Level Galleries

**What is the reality?** Is an increase in speculation truly changing the culture of collecting contemporary art?

On the other hand hand:

[T]he data indicate that contemporary works appearing at auction within three years of their creation are not coming to auction faster than in the past, and that such flipping remains very much the exception, not the rule. Though more works come up for sale each year, the percentage of these works was essentially the same last year, less than 2 percent, as in 2007...  
(*The New York Times*, August 2014)

- **Barbarians at the Art Auction Gates? Not to Worry** (*New York Times*, August 2014)
- **Tip of the Iceberg: The Vast Underbelly of the Art Market** (*Hyperallergic*, August 2014)
- **Flipping Art Is Not a New Phenomenon** (*Artnet News*, August 2014)

# Challenges / Strategies for Mid-Level Galleries

**Perception** of speculation vs. connoisseurship fueling many collectors' decisions  
(sales techniques, programming choices)

**True Case 1:** A New York mid-level art dealer reported clients, who for years had bought a number of works at mid-level prices, now say that they felt pressure to save up and purchase work by one of the “hot artists” seeing prices skyrocket at auctions. “It would be foolish” not to get in on this, they said. How do you respond?

**True Case 2:** A top 200 collector reported recommending a top consultant to three colleagues (also in finance) who had expressed interest in collecting art. The consultant reported back that all three had the same request shortly into their first meeting: “we want something that is going to double in price in a year or so.” (The consultant declined to work with all three of them.) They were willing to spend money buying art.

# Strategies for Mid-Level Galleries on Handling Perceptions of Speculation

**Share the facts :** The report commissioned by *The New York Times* that concluded flipping is not currently at unusual, let alone historic highs, also cited several of the top emerging artists bringing the highest prices at auction in 2008. Only one of them has not seen dramatic decreases in their auction estimates in 2014.

**Get in on the game:** A very good mid-level gallery I know that is admired for its strong conceptual program made a conscious choice a few years back to begin representing some young painters, very specifically to help with their cash flow.

It seems to be working for them.

**Other:** ???

# Challenges / Strategies for Mid-Level Galleries

Art fairs or online vs. gallery spaces where collectors increasingly make purchases (**overhead, sales techniques**)

From a survey of 108 collectors from North America, Europe, Japan, and South Africa



# Challenges / Strategies for Mid-Level Galleries

Art fairs or online vs. gallery spaces where collectors increasingly make purchases  
(overhead, sales techniques)

Over 220 contemporary art fairs\* around the world each year.

David Zwirner Gallery once reported they do 15 art fairs a year.

How many can mid-level galleries compete in that climate?

\*If you count fairs that don't generally present contemporary art, the number is closer to 300.



# Challenges / Strategies for Mid-Level Galleries

Art fairs or online vs. gallery spaces where collectors increasingly make purchases  
(overhead, sales techniques)

To move from mid-level to top-level requires more **time and money**.

What would a mid-level gallery need to do 15 art fairs a year?

**Additional staff**

**Additional travel** / shipping/ accommodation expenses

**Additional pressure** on their relatively smaller roster of artists to produce more work

**Additional time** on the road, away from their gallery, their artists, their family

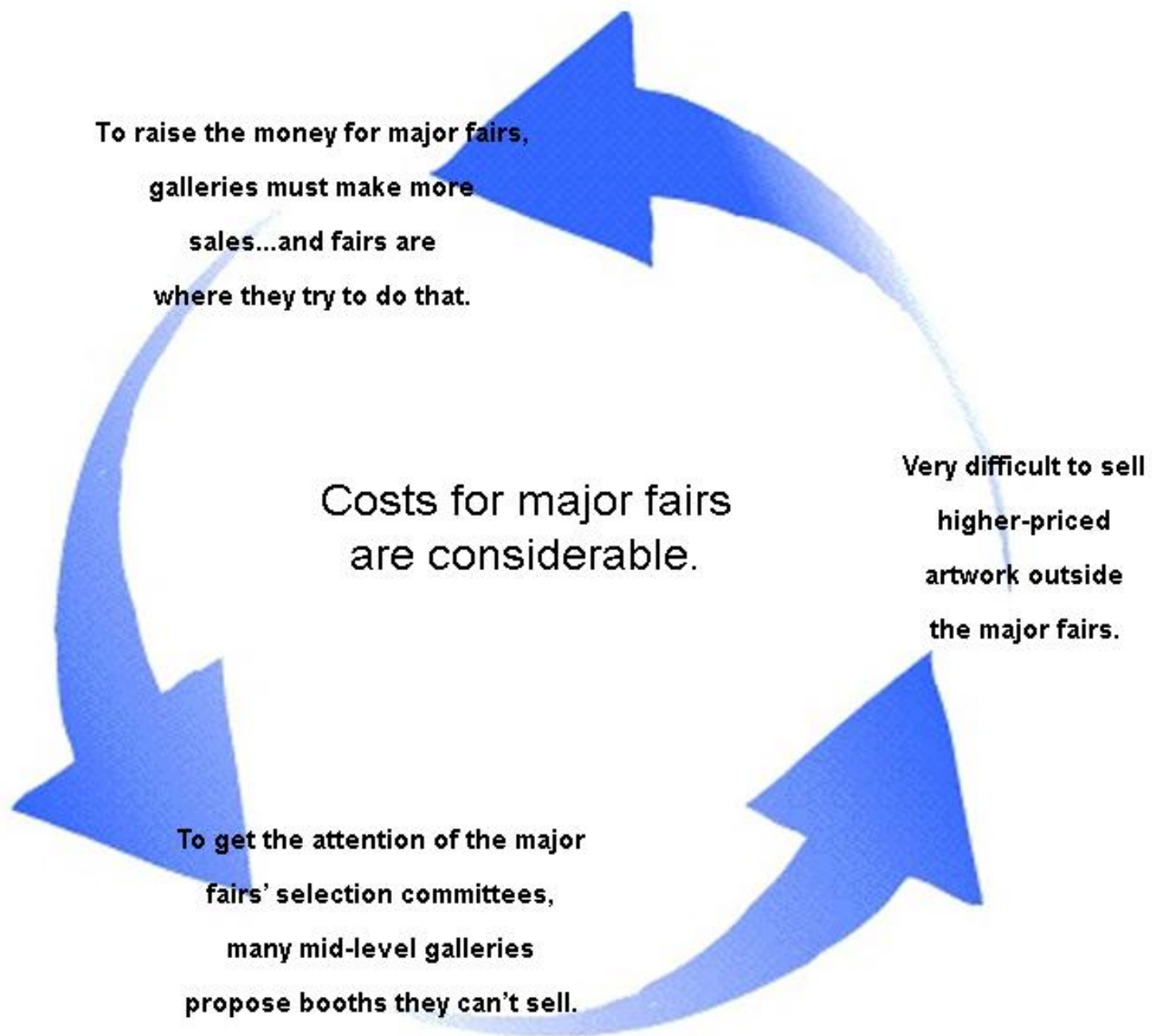
To pay for all that, **additional money** (and at mid-market price points = a lot of additional sales)

# Challenges / Strategies for Mid-Level Galleries

Art fairs or online vs. gallery spaces where collectors increasingly make purchases  
(overhead, sales techniques)

Despite the obvious requirements here,  
many mid-level galleries are convinced that  
“whatever it takes” to get into the major fairs,  
is worth it.

Their fortunes will change if they can just get their  
foot in that door.



# Strategies for Mid-Level Galleries on Art Fairs

- Resist pressure to do major fairs until ready:** Some good mid-level galleries have closed because of the pressure it takes to run a “successful” international gallery. Other galleries spend a fortune to participate in a major fair, only to not get back in again. The point of a fair should be to network AND see a reasonable return on your investment. Do the fairs that make that possible for you.
- Choose fairs based on long-term goals and capabilities:** Many regional fairs require investments of 3 to 8 years to become profitable. How realistic is it for you to invest that much time (plus more, once you have clients there who may expect you to return more often) in that market? Will it pay off?
- Peak fair strategy:** Many mid-level galleries will ramp up to as many as 8 fairs a year, only to eventually scale back to 5 or 6. Knowing that’s the trend, it is possible for you to keep your maximum number at 5 or 6?

# Challenges / Strategies for Mid-Level Galleries

Internet challenging dealers as source for exclusive information /access  
(promotion techniques, long-term planning)

The Internet giving artists more say in the pricing/resale of their work on the secondary market  
Example : Wade Guyton taking to Instagram to disrupt the sale of his work at  
Christies' this past Spring).

Pricing is not the only information dealers have historically traded in. What's available or even what exists has long been something interested buyers could only learn through the gallery system

“Now able to sell works themselves, artists are nudging the dealer out of the way while promising to demystify fine art and increase accessibility; challenging what has long been seen as an industry shrouded in pretense and exclusivity.”

Olivia Fleming, "Why the World's Most Talked-About New Art Dealer Is Instagram,"  
*Vogue*, May 13, 2014.

# Challenges / Strategies for Mid-Level Galleries

Internet challenging dealers as source for exclusive information /access  
(promotion techniques, long-term planning)

## Case Example:

One of your artists who has sold well through the gallery has recently opened an Instagram account, that connects with his Twitter and Facebook accounts.

He loves to post images of new work or even “works in progress” from his studio. Increasingly you’re getting calls from people you don’t know who want to buy works that you have not even seen yet yourself. Nice problem to have, except you have agreements with this artist’s main collectors that you will show them new work before anyone else sees it.

These new collectors are online “friends” with your artist. They sometimes know more about the new artwork from online discussions than you do, including that the work is still in the studio and hence not already “sold.” When you ask them about their collections, they get a bit offended.

# Strategies for Mid-Level Galleries on Handling Online Information

**Discuss this upfront:** Dealers are not easily getting back exclusive control over the information about their artists' work. Whether it requires contractual solutions or not may still to be determined, but the agreement dealers now have with artists about selling work through the gallery should extend to how artists promote their work through social media and other online channels.

In short, ask them to “hashtag the gallery” or less trendily, “credit the gallery.” What begins as a set of questions from a “friend” can lead to difficult situations if the online collectors don’t know up front the artist only sells through the gallery and has major collectors with certain expectations. Linking online images to the gallery consistently, eliminates such problems for the artist.

**Get Online Yourself!:** You need those images’ hashtags and links to land on something. You should be on Twitter, Facebook, Instagram, etc. Your accounts should be up to date and active. Usually an assistant can stay on top of this with some guidance. You also want those online collectors to learn about your other artists.

**Other:** ???