



Sunbathers, Spanish Banks, by Charles H. Scott, available online at www.heffel.com.

DIGITAL
exhibition

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Modest online art ventures have escaped the economic
crash-and-burn that's hit more grandiose e-galleries

By MICHAEL SCOTT

In the long downward slide of dot.com values since last spring's major market correction, one of the hardest-hit segments of the Internet industry has been art-related ventures. After the gold-rush year of 1999, in which online entrepreneurs were trumpeting the birth of a new era of art selling, dozens of highly capitalized, high profile start-ups are now faltering, including several in Canada.

One of the largest, the joint venture between Sotheby's and Amazon.com that was announced with huge fanfare in June 1999, has been forced to drastically scale back its plans and lay off staff despite a \$90 million US investment on Sotheby's part. Online auction giant Ebay's purchase of established San Francisco auction house Butterfield & Butterfield has failed to meet revenue expectations and the company was also forced to lay off staff just before Christmas.

According to a survey of the online art field in January's issue of ARTnews magazine, during the first six months of 2000, "238 [Internet] start-ups shut their doors, sold their sites, laid off staff, cut spending, withdrew or abandoned initial public offerings, and/or refocused their business plans." Interestingly, it is the grandiose and the ostensibly visionary that seem to have fared the worst. Among them are at least two Vancouver-based art operations, ArtGalleryLIVE.com and Artstarcom.

In counterpoint to these firms, however, are a number of local art sellers with real expertise and more modest expectations who say they are happy with online sales and claim that their small investments in Web sites are more than paying for themselves.

One of the city's biggest fans of online art selling is Diane Farris, the redoubtable South Granville art dealer whose gallery has been online since 1994. Farris doesn't actually sell art online, but uses her Web site as a sales and marketing tool to keep up with clients, to deliver good-quality digital images, and to provide a visual record of gallery exhibitions.

Farris' site was one of the first gallery sites in Canada, and that long Web presence is now contributing to a critical mass of interest. The site regularly clocks 100,000 hits a month, a figure that has doubled in the last year. That level of traffic translates to sustained visits by about 3,000 individuals, many times higher than the foot traffic through the gallery.

Farris says she sells at least one artwork per week with some Web involvement (which can be anything from the Internet leading a brand-new collector into Farris'cyber gallery to serving as a convenient delivery system for colour images of artwork). Her largest sale through the Web to date was a piece of Dale Chihuly glass, which she sold last year to a California collector for \$40,000 US.

"You need a personal connection to sell art," the veteran dealer says. "The Internet is only a tool in that regard, but it's a great tool." Farris believes about 40 per cent of her sales are now affected by the Web at some stage. Her Web site, maintained by an 18-year-old computing student at the University of B.C., more than pays for itself, she says.

Around the corner from the Farris Gallery, the brothers Heffel are also pleased with the way the Internet is working for them. Robert and David Heffel are the proprietors of Heffel Gallery and Heffel Fine Art Auction House. The firm has had a Web site since 1996, but began operating an online auction service only in September 1999.

Best known as dealers of blue-chip Canadian masters such as the Group of Seven and Emily Carr, the Heffels' online auctions are now adding \$50,000 per month to gallery revenues. David Heffel projects that figure will reach \$100,000 per month by June. The Heffel site receives about 45,000 hits per month, with the average visitor spending 13 minutes. This compares to a busy Saturday at the Heffels' South Granville location that might see 50 or 75 people visiting the gallery, spending an average of 10 minutes or less looking at the current exhibition.

"We're definitely bullish on the Internet," Heffel says. "It's just the best thing for the kind of publishing and advertising that is so important to our business." The Heffels have recently taken over the top floor of their building at Granville and Seventh in order to consolidate their online equipment and staff in one physical location.

Much of the activity through the Heffels' online auctions has come from dealers: European firms when the material is European art, American firms when there is American art for sale. The Heffels' record online sale to date was \$14,950 last November for a Gordon Smith painting, a new record for Smith's paintings at auction.

The Heffels' exercise the same rigour in assessing online auction goods as they do for their live auctions, taking physical possession of every item offered for sale. Their online catalogue is a fair representation of the material the gallery has for sale on site: high-profile Canadian painters and good-quality fine-art photography.

Other bricks-and-mortar art dealers in Vancouver whose vWeb sites are paying for themselves include John Ramsay and Buschlen-Mowatt.

While these firms specialize in different genres of art and appeal to different categories of buyer, they are nonetheless alike in their long-standing experience in real-world buying and selling. They have parlayed their skills in matching collectors and canvasses in everyday life to a level of success in doing the same thing online. Where larger and more ambitious Internet startups have failed is in this crucial understanding of the real relationship between art dealer and art buyer.

Artstar.com refers to itself as the "premier art mega-site for 'Everything Art.' " The Richmond-based company is publicly traded on the over-the-counter market in the United States. Its Web site is complex and promises "a unique combination of art education, high resolution images of artwork, artist background information, shopping and auction capabilities across all art-related categories, highly qualified art consulting services, an online art museum, and access to U.S. art fairs, museum and gallery information."

Unfortunately, those high-flying prop-ruses were never met with any kind of consistency. The company's shares reached a high of \$23 1/2 US last spring, but the market correction of April 2000 sent them on a long decline toward oblivion. They are trading now at about three cents a share and the company's voicemail has been disconnected at Artstar's Richmond office. (A hapless receptionist at a forwarded telephone number insisted last week that Artstar was still in business, but could not provide the name of a single employee in the downsized office.)

Efforts have been made over the past year to put a good face on the company's woes - including a number of official announcements detailing a "strategic relaunch" last August, less than two years after the site was first opened. But CEO John Punzo's boast at the time that a remodeled Web site would allow Artstarc.om "to revolutionize the future of the art industry" appears to have been just so much hot air.

The shallowness of Artstar's endeavour relays a cautionary tale. Company executives were experts in mass-market merchandising and public relations, but their knowledge of how to sell art was sketchy at best. The site held a high-profile auction last fall to sell a robotic arm belonging to Australian performance artist Stelarc. The reserve price on the arm was \$300,000 US but the auction failed to complete. The Web site announcing the auction has never been updated.

Another Vancouver start-up has had an equally artless time of it.

ArtGaileryLive.com claims two million hits a month on its site, which promises to allow subscribers to "view, listen, learn and purchase art in revolutionary ways." Whatever those people are doing with ArtGalleryLive.com, it is not investing. The company's publicly traded shares have sunk to a penny on the Canadian venture Exchange. The site's promise to "propel the fine art industry into the 21st century... by creating a live online network of publishers, galleries, dealers and collectors" seems hollow in retrospect. The firm currently has no one with real art-sales experience on its payroll. Asked how an art emporium, even one online, can do business without experienced art dealers, a company official said: "We have quite a few people with art backgrounds ... one of the gentleman here, for instance, his grandfather knew the Group of Seven."

In terms of strategic alliances, neither online site has managed to attract any major Vancouver dealers or artists.

Train wrecks like these are not particular to Vancouver, with its long market history of fleecing greedy investors. New York's EArtGroup managed to lure a former director of the Leo Castelli Gallery to help run its online showrooms. The firm launched in January 2000 and managed to sell a Barbara Kruger piece for \$30,000 US. Now, however, a senior partner admits the firm is sinking and has had to lay off three-quarters of its staff. "No one's making money,"

senior partner Steve Lapper told *ARTnews* magazine in January, "it's just a question of when the merry-go-round stops."

Artnet in New York and Britain's IcoHector, both publicly held companies, are also failing. Icollector was forced to withdraw an initial public offering last spring in the face of low investor demand. Losses for the first six months of 2000 were \$12A million US, about six times higher than the losses for the corresponding period in 1999.

"TOO many times, you see technical people trying to tell artists and dealers, how to do things," says software engineer Richard Thompson, who has developed the Internet software package that a number of Vancouver galleries such as John Ramsay and Buschlen-Mowatt are using to good effect. "The technical people show up with this mountain of software and they don't have a clue about the fact that selling art is a relationship-based business."

Thompson, who studied mechanical engineering at Queen's University, is not interested in the big, brassy start-ups that come in to the field promising to change the way we buy art. The young computer whiz understands perfectly well that we buy art in a consistent, historically sound way: Artists and patrons meeting through the considered efforts of dealer-intermediaries. Thompson's software, known as the Theo Digital Gallery System, allows galleries to present images and artist information to their existing clients, as well as to new web visitors.

Since launching his product last year, Thompson has developed relationships with 18 gallery clients across the country.

And there are other success stories.

In England in 1999, Partridge Fine Arts, which specializes in Old Master paintings and English and French 18th-century furniture, sold a dozen items, worth about \$2.5 million US to a buyer from Texas who had never dealt with the firm before. Then last year, a buyer from California spent roughly the same sum. "At Partridge we have total faith in what the Internet can deliver," the gallery's director Clifford Henderson told an interviewer. "We hired a perfectly marvelous American girl who wanted to set up an effective Web site for us and, by gum, has she delivered the goods."

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VIRTUAL GALLERY WINDOW SHOPPING

So you feel an urge to spend money on the Internet? Here's the result of a recent (imaginary) online shopping spree.

\$1 8,000: A silver-gilt and robin's-egg-blue enamel photo frame from the famed Faberge workshops in pre-Revolutionary St- Petersburg. www.wantiquesrow.com

\$9,500: A hand-written letter from Admiral Nelson to one of his officers, recommending a young midshipman to a naval lieutenantcy. www.sothebys.com

\$75,000: An Emily Carr painting on paper of driftwood on a Ross Bay beach in Victoria. www.wantiquesrow.com

\$120: A 1950s vintage British naval aircrew officer's dress uniform Oust the thing to wear while perusing Admiral Nelson's letter, perhaps). www.ebay.com

\$11: A set of Viewmaster image wheels depicting scenes of England, and a Viewmaster in good condition. www.ebay.com

Total cost: \$102,63