

Engaging arts through internet: A Study of Marketing Strategy for Chinese Arts E-commerce

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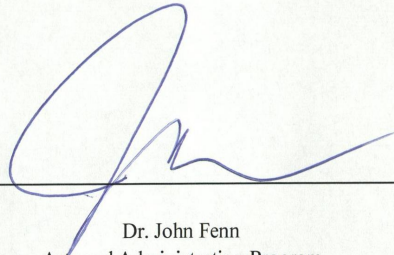
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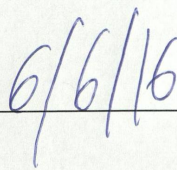
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Approved

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Abstract:

The Chinese government is currently pursuing an "Internet Plus" action plan that seeks to drive economic growth through the integration of internet technology into manufacturing and business. With the rise of the internet and e-commerce, there has been a rapid increase in online sales of Chinese art. Despite the importance and influence of the internet in the art market, China is still inexperienced in arts e-commerce, and the country's e-commerce is too "new" to have much success in targeting buyers. Although China is still in the initial stages of art e-commerce development, many art trading websites are springing up, which further fuels the development of the art market. In this thesis, the author analyzes the current marketing strategies used by art trading websites and proposes development strategies and suggestions in order to further develop art e-commerce in China.

Keyword:

Artworks,

Arts e-commerce platform,

Marketing strategies.

Online marketing

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Chapter 1: Introduction

Problem Statement

Fueled by rapid economic growth, the art market in China has experienced swift development. In 2011, the turnover of China's art market reached RMB 201.8 billion, making it first in the world in art sales. In 2012, the turnover of China's art market was RMB 178.4 billion, a slight percentage reduction that was accompanied by a significant increase in the sales revenue of the gallery market (Jiang, 2013, p. 8).

With the profound changes in China's art market, art market environments are also undergoing tremendous transformations. With respect to the art market, the internet has many innate advantages; the internet can assist in a centralized and rapid search, and sales and buying transactions are convenient and quick. The online trading platform is being used much more frequently to facilitate art sales, and the use of digital information and network interaction have become new tools in art marketing. All these factors and characteristics reflect that the internet will become another impetus to unify and standardize the artwork industry market.

The establishment of Artrade.com in 2000 marks the art industry's official entrance into the online trading era. The year 2010 saw the emergence of more vibrant Chinese art e-commerce trade platforms when zhaoonline.com, WHEY and HI art store brought the art online sales to a new stage of development. As shown in the blue book of *2013 Outlook of Chinese Auction Industry* released by the Chinese Association for Auctioneers, the income of all auctions in the Chinese auction industry in 2013 exceeded RMB 700 billion for the first time, of which RMB 31.383

billion was generated by auction of antique artworks. The total turnover of the art market in 2013 reached RMB 200 billion, but art e-commerce accounted only for 1% of all sales. However, the rapid development of the internet has a large influence on and represents the future development of the Chinese art industry, which has large and promising prospects in e-commerce. Therefore, many art organizations use online art e-commerce platforms to explore the online developing art markets. Multiple large-scale, fully-fledged e-commerce platforms including Suning.com, taobao.com and gome.com.cn are involved in the art market because they realize its potential. By utilizing channel and service advantages, such e-commerce platforms embrace the art market with a view to making profits from its development in China.

However, China is inexperienced in online art trading; the online platform is too “new” to have much success with targeting buyers. In order to further understand consumers’ consumption patterns on Chinese e-commerce platforms, the research strives to document and explore the present marketing strategies of arts e-commerce platform. In addition, by applying marketing theories and examining the specific characteristics of the art market, this study will analyze the current marketing strategies used by art trading websites and propose development strategies and suggestions in order to offer some useful references to the developers of art trading websites.

Conceptual framework

Topical literature review

There is a lot of research about Chinese art e-commerce. In Gao Jianwei's *The Study of Chinese Artwork Trading Website Marketing Strategy*, Gao demonstrates that consumption-based collecting is promoting the rapid development of arte-commerce platforms (Gao, 2013). Gao also performed a systematic analysis on the types of art trading websites and described the new trend of online art trading. In Zhao Lingyi's research *First Exploration of E-commerce Marketing of Artworks*, the author analyzes the types of art suitable for e-commerce and evaluates some art trading websites. Based on such analysis, Zhao Lingyi discusses the feasibility of the art e-commerce modes described by "community + e-commerce + offline support" and points out that a comprehensive arte-commerce platform must have information identification, Internet demonstration, third party payment, community evaluation and value-added services (Zhao, 2010). According to the literature and considering the current situation in China, this study has identified two core concepts as important in evaluating e-commerce marketing strategies: Chinese arts e-commerce platforms and online marketing.

An online marketing strategy is a core concept in promoting the development of e-commerce. The core of business lies in marketing and that of e-business lies in online marketing. As a customer-oriented marketing method with a focus on individuality, online marketing conforms to popular trends and individuality of art. Online marketing of art boasts huge business opportunities that will dramatically

change both the marketing business of the art industry and the consumption behaviors of customers.

E-commerce today is much more than just a shopping cart on a website; it is about seamlessly integrating a brand's shopping experiences across multiple environments throughout a consumer's lifetime to continually optimize points for purchase understanding. A successful e-commerce platform understands how the customer discovers their products, explores their options, makes a decision, becomes loyal to a brand, and shares their experience. True e-commerce is not just a click; it is a continuum of experiences from product trial through brand loyalty. This continuum should provide a rich, engaging and, therefore, often-repeated experience for the customer (Tao, Gallegari, Smith, 2014).

Theoretical framework

By analyzing these online marketing and arts e-commerce platforms, my capstone paper explores the current marketing strategies for the development of Chinese art e-commerce. This research will first introduce the history and status of the development of the Chinese art market, use a case study to systematically analyze the types of art e-commerce websites, and describe the new trend of Chinese art e-commerce.

Second, the author of the thesis will study the marketing strategies of art trading websites in a systematic and comprehensive way by utilizing a case study and using independent study, and capstone course work AAD 610 Comparative Technology in order to provide specific online marketing strategies to art e-commerce platforms. In

addition, the author will discuss insufficient or underdeveloped aspects of conducting art e-commerce in China, such as authenticity, credit, payment, and logistics. Finally, the author provides suggestions for problem solving in art e-commerce.

Research Methodology

Purpose statement:

The purpose of this study is to explore the current marketing strategies of Chinese art e-commerce platforms. There are sufficient studies exploring marketing strategies of e-commerce in general; however, there is little research concentrating on online art trading. Thus, the study will also explore how characteristics of internet marketing affect Chinese art e-commerce's marketing strategies to fill the gap in the research.

Methodological paradigm:

Relativist and positivist paradigms serve as my methodological paradigm. I will observe the phenomena of the world in order to analyze the nature of it informally as the positivist paradigm suggests. However, to only use a positivist paradigm is not enough; in order to have a comprehensive understanding of the world, I will also use relativist paradigm. A relativist paradigm defines no absolute truth or validity and accepts relative and subjective views and opinions of any phenomenon. In this research, I will follow a methodological paradigm that synthesizes both relativism and positivism. When analyzing the documents of art e-commerce platform marketing development, the positivist paradigm will be used to discover the marketing strategy for developing the arts e-commerce platform. When analyzing other documents, I

provided relative opinion about whether the documents contained suitable internet marketing strategies for Chinese art e-commerce platforms.

Role of the researcher:

Although I am a Chinese citizen and an arts management student, Chinese arts e-commerce was still an unfamiliar area for me. In order to provide rational development suggestions for Chinese art e-commerce platform, I needed to be more familiar with and knowledgeable about the development of art e-commerce. I collected the data and information using various research methods and determined which of these should be applied to my research. By taking the AAD 610 Comparative Technology and independent study class, I was able to gain knowledge about marketing approaches, communications strategies, delivery technologies and creative marketing tools.

In China, e-commerce is the fastest growing business in marketing, but the country is still inexperienced in arts e-commerce. Motivated by China's need for more expertise in this area, I studied this field in order to offer useful references and useful suggestions for the development of Chinese art e-commerce.

Research question:

Main research question:

-How do Chinese arts e-commerce platforms use marketing strategies?

Several sub questions discussed in the research:

-How do Chinese art e-commerce platforms adapt their marketing strategies to fit their customers' needs/motivations?

-What factors stimulate consumers to purchase art pieces online?

-What are effective internet marketing strategies for Chinese art e-commerce?

Delimitations:

My research focuses on Chinese art e-commerce's current status, discusses online customers' motivation and behavior, and describes aspects of internet marketing strategies. The focus of the research relates solely to Chinese art e-commerce. Other influences like the current internet policy in China, interpersonal relationships, political effects and so forth were not discussed.

Limitations:

The research focuses on the Chinese art e-commerce platform; some results of the research are not suitable for other types of e-commerce platforms in China. Also, China has an unique social policy and structure, so the research findings are not suitable for other regions or countries.

Benefits of the study:

By analyzing Chinese art e-commerce platform marketing strategy and providing suggestions, this study will help art e-commerce platform administrators identify the best development methods. Also, this research will discuss behavioral trends and the purchasing demand for the online art market that provide a basis for the formulation of marketing plans and strategies for art e-commerce websites. The research will provide recommendations for art e-commerce platforms and help them to better meet the demand of customers and to face the strong market competition in China.

Research Design

Overview of research design:

My research is intended to answer the question: How do Chinese arts e-commerce platforms use marketing strategies? The research focuses on the relationship between marketing strategy and Chinese arts e-commerce platform. The main goal is to provide specific methods for marketing Chinese art e-commerce platforms.

Strategy of inquiry:

As Creswell (2009) said, “A literature review means locating and summarizing the studies about a topic” (Creswell, 2009, P. 29). The literature review encompasses Chinese arts e-commerce’s background and history, the characteristics of arts e-commerce platforms, operation modes of Chinese arts e-commerce, and other perspectives and features of e-commerce platform development. The literature review helped author study the marketing of Chinese arts e-commerce development.

Furthermore, the research involves case studies of e-commerce platforms. The research selected an organization of art e-commerce, Artrade.com, to study its background, marketing strategies, art selection, prices, trading process, website design strategies, payment methods, and delivery methods.. This case study includes a detailed analysis of Artade.com and provides an understanding of arts e-commerce platform operating systems. It gave the researcher opportunities to collect data in order to strengthen the research findings and conclusions.

Capstone Coursework:

In order to better understand these factors in my research, I took the course, AAD 610 Comparative Technology, “which is a seminar where students will explore and learn about various technology tools, applications, and concepts particular to their concentration area and professional goals. The objective of this seminar is to allow independent and small group exploration and demonstration of technology tools, applications, and concepts that are relevant to various disciplines within the field of arts administration”(Eric).

Because e-commerce platform transactions are conducted over the web, I needed to be proficient at creating an effective e-commerce platform. In this course, I used Squarespace to build my own arts e-commerce platform named “Shawn’s Arts Store.” Because my website is an arts trading platform, I choose a clean and concise template that best fit my business I condensed information onto as few pages as possible to avoid overcrowding the website because I want to make visitors search too much to find what they were looking for. I made a homepage that looks like a gallery that I thought would be the perfect way to catch visitors’ attention. In order to better understand e-commerce, I tried to make my website a true e-commerce platform. Art I showed on my website could be traded, and people could browse artist information or click on links to artists’ personal homepages. I also used media channels alongside my website to distribute information and create extra buzz or user engagement that would attract more people.

This process gave me a better idea about how to construct an interface and develop an effective, easy-to-navigate website, and provided me with basic

knowledge of website interface design and layout. This course provided understanding of issues that arts trading companies face when moving online, especially in the field of online marketing strategies and website design.

Furthermore, this website project also made me understand how companies can craft business models with e-commerce platforms as an integral part of products, processes and customer interactions. Also, the process of making my own website provided a set of concepts and tools with which to view e-commerce developments, gave me the fundamentals of the online/digital world, and also helped me to focus on the analysis of art e-commerce projects' viability in a particular e-commerce model.

Another capstone course work I took was an independent study class. This research experience provided professional knowledge and experiences for me to understand the history and development of arts e-commerce platform.

Chapter 2: Literature Review

Internet: The Soil for Growth of China's Arts E-commerce

There are four stages of internet development in China: web portal, search engine, Web 2.0 for website building, and Web 3.0 mobile internet. The internet serves as the soil for the growth of art e-commerce in China as well as a symbol for its development (Liu, 2015).

Similar to the international arena, the initial internet development in China consisted of web portals. These websites gather a large quantity of information and display it for users on web pages after selection, organization, , classification and editing .

In the research paper *SWOT Analysis of Artwork Internet Marketing - Using B2B2C model as an Example*, YiFeiLu illustrated “With the increase of websites and online information constantly diversified, online information selection requires higher costs as users have to spend more time reading and searching the information they need”(Lu, 2013). Information was reproduced and disseminated among various websites, making netizens confused about which website offered the most accurate information. Therefore, the emergence of search engines lowered the cost and requirement for information acquisition once again as websites moved from single-direction information communication to information searching initiated by users (Lu, 2013).

With the advent of the Web 2.0 era, “users were not satisfied about simply

receiving information. They changed from passive receivers to active information providers and participators in its dissemination, becoming an important component of Internet. It allowed the Internet to transform from an information distribution platform to an interactive social network, profoundly changing users' participation mode”(Liu 2015, p. 10). Through online social interaction, users got a sense of being and acquired accurate and timely information. As a medium for information communication, the internet plays an irreplaceable role and permits interactions that make chat rooms, blog and online transaction possible.

With the arrival of the Web 3.0 era, the emerging cellphone-based mobile internet enabled users to receive the information whenever and wherever possible. “The mobile phone has become an essential assistant in our daily life. It fragments Internet time for users and constitutes an integral component of their social life” (Liu, 2015). Due to the immediacy and sociability of mobile internet, the cellphone-based social software represented by WeChat, Line, and other software is very popular, giving birth to the mobile-end transaction mode.

The development of the internet transformed the communication methods between sellers and buyers from off-line phone calls and written contact to on-line e-mails and instant messaging, accelerating the transaction process (Lu, 2013). When finished shopping, users can share their satisfactory or unsatisfactory shopping experience in pictures and texts on the internet to both real-life and internet friends. This not only becomes a social behavior, but also serves as word-of-mouth advertising for relevant enterprises. Based on such function, the “Internet + social contact” model

has become a popular marketing method. It facilitates transaction and improves sales volume by taking advantages of such online communication approaches like social websites, shopping websites, micro blogs and WeChat and through such operation methods as social interaction and user-released content. For example, WeChat auction builds a socialized shopping mode based on the Moments' app and chat groups, in which users communicate with their friends and learn from each other, to encourage users to buy commodities (Lu, 2013).

Over the past ten years, the e-commerce market in China has experienced rapid growth. With its trade share steadily and rapidly expanding from zero to 6% of total consumption in 2012, e-commerce has become one of the major channels to expand commodity consumption in China (Liu, 2015). E-commerce gradually becomes a part of the life of ordinary Chinese citizens. From an initial concept to its popularity today, "e-commerce" has evolved into an impetus for China's economic development and an important facilitator to the industrial structure's transformation, generating a huge impact on traditional commerce

Currently, online shopping based on PC and mobile devices has become popular among the public. We can search for our desired goods all over the world through the space-unlimited internet, which makes rapid development of transactions possible.

History of China's Artwork E-commerce platform development

With the advent of the traditional Chinese e-commerce, China's arts e-commerce mainly engages in online art trading and is still in its exploration stage.

In 1995, the e-commerce website Artnet.com, the prototype of arte-commerce, was established in the USA. In the year 2000, when China's traditional e-commerce started development, the art e-commerce websites including zhaoonline.com and Artrade.com also emerged, becoming pioneering art e-businesses in China.

Using a strategy of "large volume and low price," Zhaoonline.com specializes in online auction of low-priced commodities including low-end art, postage stamps, and commemorative coins. In *A Study of China Arts Commerce Development Status*, the author states, "Zhaoonline.com achieved total sales over RMB 58 million, over RMB 100 million and close to RMB 400 million in 2009, 2010 and 2011 respectively." (Liu, 2015, P. 13). Similar to zhaoonline.com, Artrade.com, established in 2000, is one of the first professional artwork auction websites in China. In its early stages, Artrade.com developed by taking advantage of the professional platform strength and customer resources offered by China Guardian Auctions. In November 2000, Artrade.com launched the auction of *The Foolish Old Man Removes the Mountains*, a painting by Xu Beihong, and closed the auction at the transaction price of RMB 2.5 million, a record high in the online auction history of Chinese artwork before the year 2000 (Liu, 2015, P. 15).

China's artwork e-commerce and traditional e-commerce share similar development paths from information portals to blogs, forums, website e-commerce and ultimately to mobile e-commerce. Around the year 2000, the traditional print media covering the art world began to be gradually replaced by art information websites. Web portals such as Artron.net and 99ys.com became the art information

media with the largest influence in China. Users could browse art exhibition information, art reviews, and pictures of artist's works and other content online (Zhang, 2012). There were also some gallery websites launched by their owners, and these displayed information and photos of the works of the galleries' artists or collections but allowed no online messaging

Afterwards, with the birth of blogs, the practice of selling paintings on individual blogs emerged quietly. These blogs mostly carried straightforward content through articles describing the artist's name and experience; photos of and remarks about the art was included as well as other information about the work's material, size and date of creation. Bloggers released their contact information including e-mail address and cell phone number in text or articles in their blogs. Buyers contacted the artist privately or left messages by posting on the article page to close a transaction. Some bloggers launched time-limited auctions of their work in blogs with the final posting time as the starting time. In such practices, potential buyers posted bids in the follow-up comments to the work within a prescribed period, and the work was sold to the highest bidder when the deadline arrived. Zhang illustrated an example in his *A Study on China's Artwork Market and Industrial Development*:

"In 2006, Andy, an artist, opened his personal blog on Sina.com and displayed the pictures of his works and sold them openly. Some netizens left messages below the articles in the blog, commenting on the works and interacting with the artist. Some posts can even receive over 10,000 clicks. According to some interviews, the sales of the artworks Andy achieved through his blog can reach hundreds of thousands of

Yuan”(Zhang, 2012. P. 25).

Some artists also made sales by posting their personal blogs on Artron.Net and selling paintings through such blogs. Many graduates from academies of fine arts traded through personal blogs; their paintings were priced from thousands of dollar to tens of thousands of dollar. Collection enthusiasts posted on the forum to discuss and sell their collections to other enthusiasts in the post-and-comment method.

As Taobao.com matured, some artists opened their personal shops on the website to sell their artwork. Some artists established personal websites for publicity and posted news, interviews, exhibition experience and photos of their artworks. Due to cost and maintenance limitations, such websites allowed no trading, so artists added hyperlinks to their Taobao shops where buyers could purchase artwork. Online transaction was entering the art market rapidly (Osawa, 2014).

Around 2010, as China’s online shopping consumption flourished in consecutive years and such e-commerce giants as Taobao.com and JD.com competed with one another, art e-businesses of all sizes also started to build their own trading platforms. In 2013, with the thriving landscape of China’s online art auctioning, various institutions in art circles engaged in e-commerce, and large-scale integrated e-commerce giants including gome.com.cn, Suning.com and taobao.com competed for shares in the market of online art transaction. According to insiders’ estimates, the 2016 turnover of paimai.taobao.com may exceed the total turnover of Christie’s and Sotheby’s, both traditional auction companies (Liu, 2015).

With market segmentation, the art e-commerce market began to take shape.

Traditional antique trading malls and time-honored brands in the art industry, including Liulichang, Xiling Seal Engravers Society and Rongbaozhai, kept up with the changes and opened their own trading websites. There were also trading websites with arts districts as their units, such as the 798 Arts District-based Noarter.com, the Songzhuang Arts District-based atsong.com, 91songzhuang.com and szaol.com. In addition, there were art e-businesses based on specific market segments, such as studentart.com.cn, a website which specialized in young artists and college students, HIHEY.COM, zan8.com and ataw-art.com, a website specializing in the international market of young artists.

In 2014, with public enthusiasm about mobile software and the constant evolution of the WeChatsocial software in China, the platforms leveraged by art e-businesses gradually extended from PCs to mobile phones. The most representative cases were such WeChat auctioning groups based on social software at internet mobile ends as ArtJeff Day & Night Sales Room, Wallart WeChat Auction and dadadaka.com.

Art e-commerce in China has developed into diversified operation modes based on web pages combining art information, e-shop, online auctions and other forms. The artwork on sale transcends the barrier between eastern and western countries, and ancient and modern times. Some websites are equipped with the online exhibition functions.

Through the ages, the art market has been based on the collection community. Artwork collection and consumption require expertise and capital. This dual threshold

has shut out many outsiders without the ability to access information about art. With development of internet and e-commerce technology, the art market is ready to embrace its next stage of development, and art trading has started to change quietly. The public can search for detailed information and prices about their desired artworks on the internet at home. Based on the information, buyers can roughly estimate and analyze the artist's reputation and the market value of the artwork, and then order their favorite piece. Developing rapidly from scratch, the internet-based online virtual trading platform in China allows the public to buy art at an open price. It improves the frequency of art trading as well as art exposure.

Operation Modes of China's Artwork E-commerce

The existing artwork e-commerce in China can be divided into three operation modes: website, mobile independent trading application (or APP), and WeChat-based group auction and WeChat shop.

Online artwork trading website

The online artwork trading website is the earliest art e-commerce mode in China and also the most widely used (Li, 2009). It has various forms including online auctioning websites of both auction companies and independent brands, online artwork trade on Taobao and other platforms, ArtExchange-based trading and online gallery trading. A large proportion of websites is underdeveloped, carry various products, and suffer from problems such as use of the same template for art trading websites, forum posting trading in web portals, messy webpages, lack of information,

and selling a hodge-podge of artworks. Trading on such websites is mostly unregulated, and authenticity of such products cannot be guaranteed. For example, sellers can open their shops after registering on the platform, paying the earnest money and passing real-name certification. So the authenticity of products, which are supplied from different sources, cannot be guaranteed.

After development over the course of a dozen years, online artwork trading websites in China demonstrate the following operation modes:

(I) Specialized artwork websites (including auction and non-auction forms) refer to online art trading websites with defined business scopes (e.g. specialization in contemporary artwork, amusement articles, etc.), such as studentart.com.cn and some personal gallery websites.

(II) Integrated artwork websites (including auction and non-auction forms) refer to online art trading websites without a definite business scope (e.g. products may be ancient, modern, Chinese or foreign works), such as panjiayuan.com, artrade.com, online platforms of traditional auction companies, and some ArtExchange-based websites.

(III) Large derivative information websites of art portals (including auction and non-auction forms) refer to websites with main traffic sources from art portal information completed by art trading segment. Trading is mostly carried out in an integrated way (including forum posting trading and website online trading). The examples are artebuy.com and artxun.com.

(IV) Selling on the same platform with non-artwork commodities (including

auction and non-auction forms) on sites such as Taobao.com, the artwork channel under Suning.com, xiu.com (the artwork channel is now closed) and gome.com.cn.

By leveraging online shopping habits of customers, online artwork trading websites post pictures and descriptions of artworks for sale. Search bars can be filtered by, for example, artist experience, artwork material and shopping intention, reflecting the positioning and style of websites and making it easy for buyers rapidly find appropriate artworks. As for webpage design, builders of some websites imitate the commodity description style of Taobao and other traditional e-businesses and focus on the description of various artwork details, completed by HD pictures, work description, and even showing pictures of the artwork hung in a house for buyers' reference. Other websites display pictures in an infinite scroll, a method employed by pinterest, instagram and meilishuo.com. (Lu, 2013).

Mobile APP for Independent Trading

With the popularization of wireless communication and networking (including wi-fi and cellular, the dependency on mobile phones, and cost reduction in online traffic, an increasing number of people are turning from computer to mobile phones to entertain themselves and acquire information in fragmented time. According to the 2014 report released by the Ministry of Industry and Information Technology of People's Republic of China, there were nearly 700 million netizens using mobile internet, which became the most important internet portal as the number of its users exceeded personal computer internet users(Lu, Lu, Yu, & Yao, 2014).

Mobile apps for independent trading can be deemed as the mobile terminal of the

corresponding online artwork trading website. It allows buyers to read the trading information and latest news and participate in auction trading whenever and wherever possible. Due to limitations in personnel as well as development and maintenance costs, only few art e-businesses have website-corresponding mobile terminals, e.g. the mobile terminal of HIHEY.COM launched in August 2012, and HMQQ Art Trading Center and Art launched in January 2015.

Existing art mobile-end software in China has multiple operation modes. More often, an independent art mobile app is deemed as a tool for information transfer, e.g. e-magazine, e-catalog and HD gallery, without a trading function. Traditional auction giants including Poly Auction can position mobile apps as an information dissemination channel in which the auction goods catalog is displayed and daily market trends and enterprises news are updated. Artists, expos, and galleries display their works, maps, and art exhibitions in apps. Such app owners are mostly foreign artists and art institutions.

Other investment-supported, independent mobile art apps are demonstrated in such forms as “Cloud Gallery” or interactive image-text communities in order to attract attention and increase traffic flow in the initial period. The mobile apps later transform into e-commerce platforms with an art trading function.

It is reported that time-honored art e-businesses including Artrade.com and Zhaonline.com have launched their corresponding mobile apps; Amazon.com, Taobao.com, and JD.com will engage in the design of an art app in the next few years(Lu, Lu, Yu, & Yao, 2014).

Chapter 3: Case Study of Artrade.com

Background

The trading platform Artrade.com, established by Guardian Auctions, represents the largest and most professional art auction website in China. In May 2000, China Guardian Auctions Co., Ltd. expanded its online auction business jointly with Softbank and Pacific Century Cyber Works Limited (PCCW) and officially launched the website in the following month. As China's largest artwork auction website, Artrade.com with its pioneering online auction mode provides art collection enthusiasts with convenient and professional services regarding antique, painting and calligraphy auctions. Providing previews and comprehensive information about artwork market trends and appreciation and collection guides, the website aims to offer the leading online artwork auction platform in China (Zhang, 2012. P. 10).

Artrade Marketing Strategies

Customer communication in internet marketing is distinctly different from promotion strategies in traditional marketing. The internet has increased the channels through which customers can get information, which has reduced their information asymmetry with merchants and created a bi-directional information flow between customers and merchants (Gao, 2013. P. 30). Merchants who employ the internet to perform artwork trading must take full advantage of the convenient, diversified and human-oriented communication should focus more on interacting with customers,

providing artwork information, and better understanding customers' needs and shopping habits. This is how merchants build a strong relationship with their customers; by offering personalized online services, merchants can enhance customers' loyalty, satisfaction and trust (Gao, 2013. P. 32).

Promotion through search engines

A search engine is the preferred and one of the most frequently used tools for customers looking for a website or information. Promotion through search engine refers to the marketing approach to gain higher views by optimizing search engine results and studying the popularity of keywords. The most widely used tools are full text search engines such as Baidu and Google (Zhang, 2012. P. 34). The full text search engine captures content on a specific web page and creates an index for them; so, when the user types in a keyword, the engine searches for it in the already built index.

Artrade.com utilized full text search engines as a search engine optimization strategy to increase page views. Artrade.com promotes its website by employing search engine based on its actual situation to improve its popularity and click-through rate. Based on analysis of behavioral habits of information seekers its financial strength, brand positioning and changes of the art market environment, Artrade.com has selected the Baidu-based search engine marketing model to ensure the most effective promotion.

Promotion through website alliances

Each art trading website is able to collect data on visitor numbers and

information about registered users, while also utilizing valuable art market information and space for online advertising. Information sharing with complementary websites can expand both influence and revenue. Website alliance is the simplest and most effective approach for website cooperation and one of the most effective website promotion methods (Lu, 2013). Artrade.com partners with websites of “complementary advantages,” which means that each has a comparative advantage over complementary areas of production, so that partnering will bring both websites economic benefits. In such cooperation, each party places logos and names of the other with hyperlinks on its own website. Therefore, mutual promotion is formed as customers can find Artrade.com when browsing its partners’ websites. Such setup increases visits for Artrade.com, makes the website appear higher in search engine rankings, and improves its credibility through the implied recommendation of trustworthy alliance websites.

Mobile Apps

Artrade’s multifunction mobile application provides a lot of services to customers. Customer can see auction goods catalog and information about the artwork and the artist’s experience, as well as images of the artist and the starting price for auction goods. More importantly, it allows buyers to access trading information and participate in auctions whenever and wherever possible. This is the most prominent advantage of Artrade’s app as its mobile-end art e-commerce. It not only addresses the space limitation of traditional auctions, but also expands the businesses trading scope and channels as well as minimizes the trading expense for both sellers and buyers.

Customer Service Strategies

While using their own resources to develop strategies for art commodity management, art websites also can target different types of art consumers . However, for art websites aiming to be more widely used in the increasingly competitive art market, they must get and maintain the competitive edge through the offering of various art-related online services to customers. Art collectors, more than other online consumers, want to have detailed information before they purchase art. As such, providing an efficient art search and art information service as well as a easy to navigate and pleasing website design are important strategies for an arts e-commerce platform to attract buyers and serve customers. This is how a website increases customers develops loyalty, and its market share (Gao, 2013. P. 25).

Search service

Plenty of time and energy is required if customers search for their favorite artwork through such traditional trading channels such as galleries and physical auction markets. But with artwork trading websites equipped with a powerful artwork search service, one only needs to click the mouse before finding a desirable piece of art. A “quick search” bar is placed front and center on the homepage of Artrade.com. This search service makes it convenient for customers to quickly and precisely locate the type, price, and artist of their preferred art commodities.

Artworks information service

Although customers using traditional channels to buy art have the opportunity to see the objects in person, the information gained by customers is usually incomplete

due to information asymmetry between them and the art dealers (Lu, 2013). Other channels are required for a thorough understanding of the information about desired artwork. By taking advantage of the Internet, art websites can establish a huge database related to artwork, artists and the first-level auction house of galleries so as to provide customers with complete and comprehensive information. Detailed artwork purchase information is presented in the auction page at Artrade.com, such as pricing information, available-for-sale time, and detailed information about the artist including biography, representative works, market quotation, seal and inscription, and related literature.

Artrade.com is also set up with a customer service hotline through which customers can ask for more information. Such a model enables the website to provide customers with information service efficiently and in real-time and also to summarize the questions raised by customers when buying artworks, which cuts down on the cost of customer service and acquires feedback relevant to the artwork market(Gao, 2013. P. 40).

Like general commodity retail websites, Artrade.com offers purchase suspension services including My Favorites and a temporary holding function. Customers can add the artwork to their favorites for further decision-making if they find themselves interested in a piece of art but cannot make the purchase immediately. All products that the customer browses during this login are automatically recorded in the web page. The clicks ratio for the piece of art for sale is shown in the product information column through which customers can learn about the popularity of the artwork and

estimate their investment potential (Lu, 2013). Through such service, the website can present all artwork the customer browsed once he/she decides to buy them. Apart from offering convenience to customers, such purchase suspension service allows market statistical analysis on the artwork for sale, which offers information on which products sell best (Gao, 2013. P. 52).

Website design strategy

Different from general commodities, art transcends time and space and provides multiple values and uses such as aesthetics, decoration, collection, commemoration and investment. When purchasing art, customers think of the spiritual value that art can bring. So, this section will talk about “access” to the auctions that a well designed website can provide.

Artwork trading websites offer an exchange and trading platform for suppliers, creators, and enthusiasts. This platform enables artists to present their works and customers to appreciate them. It is a process in which customers can enjoy pleasant shopping experiences and also learn and appreciate art. Therefore, art consumers need a relaxing, peaceful and beautiful environment when visiting art trading websites so as to thoroughly appreciate the artwork presented there. As Liu has found, when visiting art trading websites, consumers focus more on their feelings than they do when visiting general commodity trading websites and experience the essence of art in a relaxing and beautiful environment (Liu, 2015. P. 24). Therefore, the standards for attractive webpage design for art trading websites are far higher than that for general commodity trading websites. Only by improving the website design’s ability

to fully present the atmosphere of art trading can websites attract more purchasers with professional backgrounds, high taste and financial assets.

Art website building requires an elaborate effort in multiple areas including website design, webpage design and making, program safety and standardization, search engine settings, server selection and safety assessment, operation management level, and effective execution of the website. An exquisite appearance with comfortable visual effect serves as the basis for art website design. The offering of a pleasant webpage browsing experience is the prerequisite for customers to continue their shopping (Cyr, Head, Larios, 2010. P. 9).

Art websites must provide simple registration and certification procedures to allow easy operation and convenient searching so that consumers can quickly and accurately find artwork that fits their interests. Apart from meeting such functional requirements, the effect of website design directly depends on the interface design. Great visual effect and artistic atmosphere of webpage design are more important to art trading websites than to general shopping sites. With webpage design based on customer preference, websites will be better appreciated and more frequently visited by customers (Cyr, Head, Larios, 2010. P. 11).

The effect of artwork demonstration is equally important on the basis of reasonable tone design of the entire website. Unable to see real commodities, online customers acquire relevant information about artwork by browsing pictures. Therefore, the requirement on display effects for artwork trading websites is far higher than that for general commodity trading websites. As online display technology develops,

techniques including 2D amplification, 3D real objects, and 3D display offer new methods to display artwork on websites.

Artrade.com uses a simple webpage design with a soft tone and a reasonable structure. Artwork pictures are clearly displayed in high resolution. By moving the cursor, customers can directly view magnified details on the picture, including pigment, canvas texture and signature of the artist, as shown in the following figure:

Pricing Policy

Art works differs from general commodities in that they are original and unique. Even artwork sharing the same theme and created by the same artist cannot be replaced by each other. In addition, as a type of intellectual products, art has both aesthetic and economic value (Lu, 2013). The economic value of art lies in the financial benefits or risks of purchase and ownership.

Given the uniqueness of art, their price cannot be analyzed or converted based on equivalent labor in the circulation domain. On the art market, consumers play a key role in determining value. Through competition and bargaining in the market, the ultimate value of a piece of art must be the one agreed upon by both the buyer and the seller. Therefore, the ultimate price is determined by the market's reasonable resource allocation (Lu, 2013).

Compared with off-line artwork trading, online art trading can utilize internet technology, the development of which has enhanced interaction and communication capability of both buyers and sellers. The improvement in data, statistics, and

processing technologies has made art pricing more flexible and pricing strategy more dynamic and personalized.

Frequently used pricing methods for online artworks in China include the analogous estimating, price index and dynamic pricing method. Artrade.com employs the online auction method for pricing its online artwork.

The most frequently used method for art trading websites is English auction (Gao, 2013. P. 16), in which bidders add their offers incrementally within a specific period of time, and the bidder who makes the highest offer before the deadline wins. If there is a base price and the final offer does not exceed it, the consignor may decline to sell the good; otherwise the good is sold to the highest bidder. There are two types of online English auctions: a time-limited auction with a deadline and one without a deadline. In the former type, the auction is held within a fixed period of time. When the final closing time arrives, the auction is declared over, and the hammer price is the final offer made before the auction ends. In the other type, within a certain period, for example ten minutes, after a bid is offered, if there is a new offer, then the auction is extended by ten minutes. The auction is declared over if no new price is offered (Boyer, Hallowell, Roth, 2002. P. 178). The most commonly used type and also the type used by Artrade.com is the time-limited auction with a deadline. It can be easily operated thanks to its simple program and fixed bidding time. To win the auction at a price as low as possible, bidders tend to offer prices less frequently at the early stage of the auction and then make offers intensively in the last minutes before the auction comes to an end.

Compared with traditional auction methods, online auction boasts many advantages; for the seller, the commission for online auctions is generally lower than physical auctions, and more consumers participate in the bidding, maximizing profit for the seller. For the buyer, online auctions offers the opportunity to find unique art and enables them to make offers at anywhere without the need to be physically present. Additionally, online auctions allow the buyer to bid anonymously to protect their privacy. For the intermediary of online auction, auction websites can utilize the internet to expand auction business. Auction participators tend to browse the website repeatedly and for a long time, which can generate more advertising revenue for auction websites (Lu, 2013).

Chapter 4: Problem and Suggestions for Marketing of Chinese Arts e-commerce Platform

Several problems existing in China's artworks e-commerce

Virtual images fail to fully represent real artwork

Arts e-commerce platforms need to display digitized images of art online. However, due to photography techniques, lighting, and camera capabilities, color deviation between the real object and the image of artworks is inevitable, and moreover, the clarity of the details in the image of art is not as good as that of the real object. For some artworks such as oil paintings that have high color content, it is difficult to present the rich but delicate color variation of the artworks accurately in digitized images. Accordingly, images of often require color correction to have the image approximate the real one (Gao, 2013. P. 25).

The possibility of image post-processing worries some consumers. Unable to see object in person, consumers depend on the images posted online to make their decisions. The fact that these may be significantly digitally altered is a valid concern in the online art market (Gao, 2013. P. 25).

Authenticity and credit

Credit has always been the key issue criticized by people in online trading, and disputes about the authenticity of the artworks are common. In online exchange between buyers and sellers, consumers often must depend only on the images to determine the authenticity of artworks. and the problems involved with virtual images

make this process problematic. So online trading results in more doubts the authenticity of art, which further daunts potential buyers (Liu, 2015. P. 35). The trade totally depends on the good faith of the sellers to vouch for the authenticity of artworks. The uncertainty involved with internet shopping limits the consumption of art online due to people's desire to avoid inherent risks, such as any inconsistency between the description of subject matter and the real object in color. The risk and uncertainty also drive the down the prices of art in the online market (Liu, 2015).

The admixture of the genuine and false information is an inherent problem of the art market in China (Liu, 2015). This weakness is doubled in online art trading due to the virtual nature of cyberspace, and buying artworks online is believed to be more risky than buying at an auction house, gallery or other physical location. In order to dispel the doubts of consumers, some arts traders have included a certificate of authenticity for the work of art with the sale or have contracted directly with the artists, who as direct suppliers of the artwork can ensure its authenticity.

The arts e-commerce platform can also act as a bridge between artists and consumers, prompting direct communication between artists and consumers , Artists registered with such trading platforms are required to go through real-name authentication, and the credibility of the works to be sold in the platform can be increased by update of works and movements in the platform or via their mobile clients. Such measure requires all artists trading via the platform to sign a letter of guarantee of good faith, and if forgeries are discovered, a high fine is assessed and paid to the consumer. This, on the one hand, reassures the buyer and provides a

guarantee, and on the other hand, constrains the trading activity of the artists.

Artrade.com also has launched art appraisal services; it engages senior artist consultants and works with authoritative agencies to attest to the authenticity and value of art pieces and issues certificates accordingly to ensure that every piece of art traded online is original and authentic (Lu, 2013). Some online platforms even have the appraisal results notarized to ensure their legality, enhance the credibility of the platform, and gain the trust of consumers.

Payment and logistics

Generally, the payment process is as follows: a consumer buying art first sends funds to the platform's bank account and confirms the receipt of goods after receipt. The art trading platform subsequently transfers payment to the respective artist (Gao, 2013. P. 28). In this process, the art trading platform serves as a "third party," and there is no independent financial institution involved in the transaction. Therefore, the practice of "third party payment" provided by the platform, which appears to guarantee a fair trade, indeed has many drawbacks. First, the platform is not a bank and is unqualified to act as the payment trustee. Second, the platform is not solely a trading platform but is also an art dealer; and finally, the platform is also the participant in the transaction, making profit upon the completion of the sale. Accordingly, the platform's primary goal may be facilitating transactions, rather than safeguarding the interests of buyers and sellers (Lu, 2013).

Delivery, the last step of online transactions, and the transport of art goods in a timely and safe manner is important to ensure a worthwhile online shopping

experience (Lu, 2013). Given the typical high value of art and its unique packing needs, special services are required in delivery. While consumers can successfully buy art online with a quick click of the mouse, if delivery takes a long time or damage is incurred to the goods, the advantages of online trading will be diminished or lost. Therefore, delivery logistics is the key to improve the operating conditions and increase profitability of the platform (Lu, 2013). The platform should, based on an analysis of the factors having impact on consumer buying habits such as consumer behavior, economic conditions, competition, price, and weather conditions, work closely with logistics companies to forecast consumer demand and develop appropriate distribution strategies to cut distribution costs, minimize delivery delays, ensure the safety and services of delivery, and enhance the competitiveness in the industry.

Currently, the logistics strategies employed by the online art trading platforms include: the postal service, third-party logistics companies and self-run logistics services (Gao, 2013. P. 29). Artrade.com depends on the services of third-party logistics companies. Third parties can reduce operating costs of the online artworks trading platform, and an effective supply chain can be established by virtue of the expertise and technologies of the third-party logistics company, providing a full range of services to consumers and improving the competitiveness of the platform in the industry. If a consumer finds the artworks received is damaged or a fake, he can directly reject it, and thereby the interests of consumers can be guaranteed. Consumers can also entrust the logistics companies to pick up goods by simply by

providing the company the name and related documents in advance (Lu, 2013).

Chapter 5: Conclusions

The arts e-commerce marketing strategy in China has undergone major changes, and its rapid development and vitality emerged in a new market landscape.

The integration of artistic works and e-business is still in the early stages of exploration and development, and a lot of operational details of need improvement and practice. The exhibition of artistic works, operating skills of e-commerce, and operations of arts e-commerce platform as well as stimulation of financial assets are a process of trial and error . Improvement happens step-by-step as art e-commerce websites grow their businesses.

Meanwhile, the distinctive properties of art make the mass consumption of artwork difficult (Liu, 2015). The consumption habits of the general public for art are just beginning to grow. The development of a market base consisting of ordinary consumers who view art as a necessary part in their life needs fostering and promoting. The consumption of art in physical locals is yet not well developed, and consumers' acceptance of online consumption of artwork is even more tenuous. As the general public in China does not have a habit for purchasing art, the prodigious cardinal number of online shoppers in China does not constitute a firm foundation for a smooth development of online art sales.

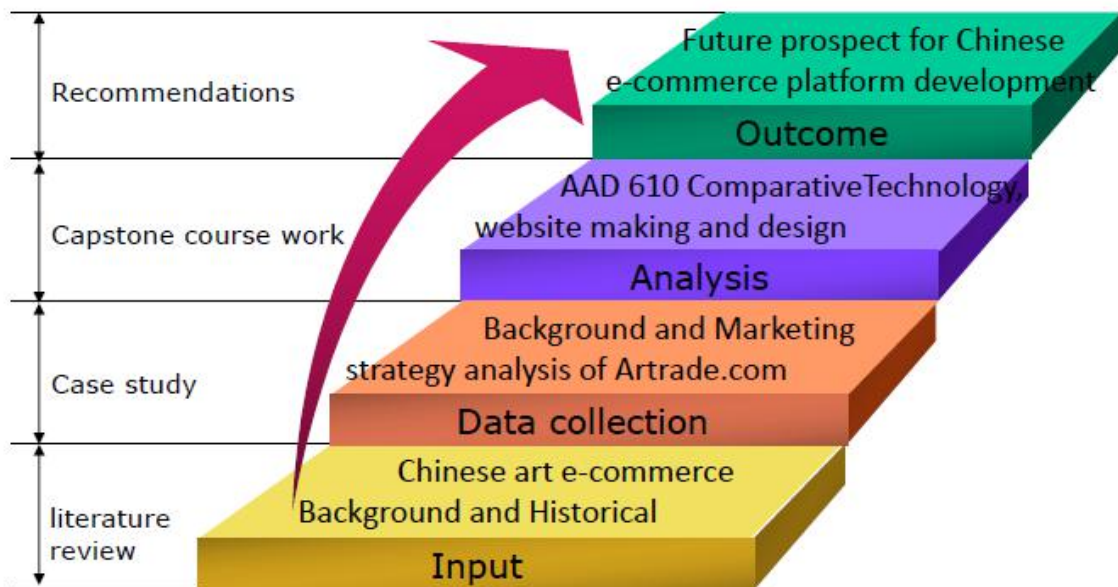
However, many auction companies, galleries and expositions have access to the internet, which represents a signal that the art market will begin to resort to the online market. Under the current conditions, the art market uses the internet as a platform for transacting and promoting popularity; e-commerce of art helps galleries, art institutes

of, auction houses, and individual artists realize online exhibition, retail sales, and auctions through mobile phones or computers.

As art e-commerce continuously optimizes its own operations, Chinese art e-commerce will become well developed, enter a period of rapid growth, and win the trust and recognition of the general public with its distinctive advantages. Only by accurately grasping the attributes of artwork and through precise positioning of marketing strategy for arts e-commerce platform, will the online art market realize their commercial value and achieve the healthy development of art e-business in China.

Appendices

Conceptual Framework Visual Schematic:



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model as an Example