

## **Executive Summary**

This study is a replication study of *Building Sustainable Success in Art Galleries: An Exploratory Study of Adaptive Strategies* by Discenza, Smith and Baker (2006) that surveyed Colorado art galleries.

### **Purpose of the Study**

Like the original study, the current study investigates changes in gallery performance, gallerists' perceptions of external factors (called driving forces in the studies), and gallerists' intentions to apply adaptive strategies. The current study focuses on small commercial art galleries in the second-tier art market in upstate New York, while in the original study the focus was on Colorado galleries.

### **Significance of the Study**

By using Michael Porter's Five-Force Model, the current study categorizes each of the driving forces that were identified in the original study into five types of forces. This study evaluates the external forces' impact on gallery's business. From the literature review, it reveals that the gallery industry intrinsically ignores competition from rivals and is highly dependent on the personal experience of its buyers. On account of the complexity and subjectivity of the gallery business in which artwork is regarded as "very personal product(s)" (p. 38), it can be explained that the gallery business has been

influenced very little by external factors. The Internet being a particularly important external consideration, the researchers proposed that the major question was whether smaller buyers, sellers, and collectors were willing to use this non-traditional means (the Internet) as a way to merchandise art products (Smith, Discenza & Baker, 2006). The relationship between galleries and their buyers and suppliers (artists) is different from relationships common between small business and their customers and seemly to be critical in the gallery business. Also, galleries and artists are in a mutually beneficial relationship; however, in most cases, galleries are in a relatively stronger position than artists are. As to galleries and buyers, it is important for galleries to offer outstanding shopping experiences and excellent customer service. One significance shows in the literature review is that the Internet is gradually changing the industry by offering all gallery stakeholders mre convenience and easier and more affordable marketing interactions. Online galleries are seen to have the potential to be competitors to private art galleries. By replicating Smith, Discenza and Baker's study, it is practical to examine each force's effectiveness in running a gallery.

## **Methodology**

To examine the external factors and adaptive strategies' relationship with gallery's fiscal performance, the current study follows the original study's hypothesis:

*H1. Art gallery owners and managers will not perceive that driving forces have an extensive impact on their firms' success, and their perceptions (of driving forces) are not related to changes in performance.*

*H2: Art galleries with poor performance will be more likely to implement adaptive strategic responses in an effort to build better performance and long-run sustainable value*

(Smith, Discenza and Baker, 2006, p. 31)

The current study used an online survey to collect responses from gallerists (gallery owners or managers). Questions in the survey were categorized into five sections: (1) gallery characteristics; (2) gallery owner/manager characteristics; (3) changes in percentages representing galleries' fiscal performance in the prior two years; (4) driving forces affecting gallery performance; and (5) a willingness by gallery owners/managers to undertake adaptive responses in the coming fiscal year. Variables about driving forces and adaptive responses were rated by respondents on a five-level and a three-level Likert scale respectively.

### **Analysis**

Analysis of the survey includes two parts: descriptive statistics that apply to the respondents as a whole and an independent samples t-test analysis that was performed for the galleries reporting increased total sales and for those reporting decreased sales. The t-test enabling an examination of the relationships between study variables based on galleries' fiscal performances (sales).

Main findings in the current study of galleries' characteristics are shown in the Table 1 below:

Table 1 *Descriptive Statistics for Research Variables*

Gallery Characteristics	N	Mean	SD
# of artists	16	39	30
# of artists exclusively	7	9	12
average retail	21	\$514	\$711.46
years in operation	24	9.2	9.8
# works in stock	15	253	399
% inventory on consignment	15	86%	27.74%

  

Type of Art Primarily Carried	n	%
Avant Garde/Contemporary	10	38.5%
Modern	4	15.4%
Regional	8	30.8%
Ethnic	1	3.8%
Eclectic	2	7.7%
European	1	3.8%

\* Percentages may not total to 100% due to rounding  
 \* Judgment was used to categorize a few unique answers given by respondents when specified different categorization, because galleries could check more than one answers, so the sample size is N=26

Overall the whole population, 25% of the respondents reported an increase in the total sale changes comparing the prior two fiscal years while 29% reported a decrease. In the increased group (respondents reported an increase in the past fiscal year), 83% reported an increase in the net income while 86% of the decreased group (respondents reported a decrease in the past fiscal year) reported a decrease in the net income. So as the number of clients, 83% of the increased group reported an increase while 43% of the decreased group reported a decrease. Descriptive statistics run for the whole population,

included respondents whom also reported no change in the past two fiscal years. And T-test only run for the increased group and decrease group.

When examining the driving forces, mixed findings in the current study support those in the original study that the external environment of small galleries is complex. Inherently, the gallery business tends to ignore the competition, but nonetheless to a degree it is subject to the external economic pressures. Table 2 shows the t-test result on driving forces. Among all the driving forces, only the force “marketing gallery via web (social media)” shows a statistically significance that increased group perceived to have more impact on their business’s success than the decreased group. Table 3 shows the descriptive statistic of driving forces of the whole population. “Marketing gallery via web (3.38)”, “economy of the state (3.38)” and “discretionary spending (3.21)” are considered to be perceived have the most impact on their gallery business. Forces about competition is relative lower than other forces in the Table 3. The result suggests that owners’/managers’ perceptions of most driving forces do not significantly influence the gallery’s performance; however, the results suggest that an awareness of utilizing online marketing strategies can be a positive force in a gallery’s fiscal performance.

Table 2  
*T-test on Study Variables Comparing Respondents that Reported Sales Increases with Respondents that Report Sales Decreases*

	Increased Sales	Decreased Sales	t value	Probability
Driving Forces				
Competition from Other Galleries	1.83	1.86	0.04	0.97
Proximity to Other Galleries/Museums	2.50	1.57	1.42	0.18

Competition from Web/Internet Sales	2.00	1.43	1.09	0.30
Tourism and Visitors to the Destination	2.67	2.86	0.25	0.81
State Promotion/ County Promotion	2.00	2.00	0.0	1.00
Marketing Gallery via Web (Social Media)	4.00	2.57	2.73	0.02
Marketing Gallery via Advertising	3.00	2.71	0.35	0.73
Supply of Art	3.33	2.14	1.66	0.12
	Increased Sales	Decreased Sales	t value	Probability
<b>Driving Forces</b>				
Reliability of Artists and Art Suppliers	3.00	2.43	0.70	0.50
State of the Economy	3.67	3.71	0.09	0.93
Discretionary Consumer Spending	3.67	3.14	0.83	0.42
Business Taxes/ Fees	2.00	1.71	0.47	0.65
Involvement in the Community (Boards)	2.67	2.14	0.66	0.52
*Scaling for driving forces: 1=very limited extent; 5 = very great extent				

Table 3  
*The Amount of Driving Forces Effecting Gallery's Business in the Prior Fiscal Year*

	n	Very Limited Extent	Limited Extent	To Some Extent	Great Extent	Very Great Extent	Mean	SD
Competition from Other Galleries	24	15	3	5	1	0	1.67	0.96
Proximity to Other Galleries	24	10	2	8	4	0	2.25	1.19
Competition from Web/Internet Sales	24	10	5	6	3	0	2.08	1.10
Tourism and Visitors to the Destination	24	5	3	7	7	2	2.92	1.28

State Promotion/ County Promotion	24	12	3	7	1	1	2.00	1.18
Marketing Gallery via Web (Social Media)	24	1	4	7	9	3	3.38	1.06
Marketing Gallery via Advertising	24	6	5	8	2	3	2.63	1.31
Supply of Marketable Art	24	10	4	5	1	4	2.38	1.50
		Very Limited Extent	Limited Extent	To Some Extent	Great Extent	Very Great Extent		
	n	1	2	3	4	5	Mean	SD
Reliability of Artists and Art Suppliers	24	10	4	4	2	4	2.42	1.53
State of the Economy	24	4	1	7	6	6	3.38	1.38
Discretionary Consumer Spending	24	5	1	7	6	5	3.21	1.41
Business Taxes/ Fees	24	15	4	4	1	0	1.63	0.92
Involvement in the Community (Boards)	24	7	4	7	3	3	2.63	1.38
*Includes input from all respondents								
*Likert scale ratings from 1 (Extensive Attention) to 3 (No Attention)								

In the Table 4, the result shows that there's a statistical significance that increased group has more willingness to implement adaptive strategies of electronic commerce, while decreased group are more willing to apply strategies such as personal/staff management and upgrading computer system. And from Table 5, it can tell that traditional adaptive strategies, such as marketing gallery via advertising, specific

events, and customer service are still being critical in the small gallery business. Strategies about using the Internet can be powerful in dealing with the external forces. The current study differed from the original study in its finding that e-commerce was supported as being more currently popular with galleries with increased sales than was the case in the original study.

Table 4  
*T-test on Study Variables Comparing Respondents that Reported Sales Increases with Respondents that Report Sales Decreases*

	Increased Sales	Decreased Sales	t value	Probability
<b>Adaptive Responses</b>				
Personnel/ Staff Management	2.83	2.17	2.83	0.02
Electronic Commerce	1.50	2.50	3.16	0.01
Upgrading Computer Systems/Software	2.50	3.00	2.24	0.049
Marketing the Gallery via Web	1.33	2.00	1.58	0.14
Marketing Specific Events and Artists	1.50	1.50	0	1.00
Marketing Gallery via Advertising	2.00	1.50	1.46	0.17
Financial Management	2.17	1.67	0.96	0.36
Customer Service	1.83	1.50	0.73	0.48
Continuing Artist Relations	1.50	1.67	0.54	0.60
Cultivating New Artists	1.67	1.83	0.45	0.66
Theft/ Security Management	2.67	2.50	0.54	0.60
*Scaling for adaptive responses: 1=extensive attention; 3=no attention				



Table 5  
*The Amount of Attention and Relative Importance of Adaptive Strategic Response for Next Year*

		<b>Extensive Attention</b>	<b>Modest Attention</b>	<b>No Attention</b>		
	<b>n</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>Mean</b>	<b>SD</b>
Personnel/ Staff Management	22	5	8	9	2.27	0.80
Electronic Commerce	22	8	10	4	1.87	0.73
Upgrading Computer Systems/Software	22	0	9	13	2.63	0.50
Marketing the Gallery via Web	22	12	8	2	1.58	0.67
Marketing Specific Events and Artists	22	15	7	0	1.37	0.48
Marketing Gallery via Advertising	22	5	15	2	1.83	0.56
Financial Management	22	10	6	6	1.84	0.85
Customer Service	22	12	6	4	1.64	0.79
Continuing Artist Relations	22	14	8	0	1.42	0.49
Cultivating New Artists	22	11	9	2	1.63	0.67
Theft/ Security Management	22	1	8	13	2.56	0.60

\*Includes input from all respondents

\*Likert scale ratings for adaptive strategic response: 1=extensive attention; 3= no attention

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Despite galleries tendency to ignore the competitive external environment, external driving forces continue to impact the performance of the gallery. In order to deal with the external environment, gallery owners/managers need to recognize that some adaptive responses are critical to the gallery's sustainable and long-term successful performance.

### **Limitation and Future Research**

A major recommendation arising from the current study is to expand the sample size so that findings are truly representative of the population and can thus be generalized and ascribed to it.

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