Amplify art market growth with blockchain tokenization approach

Business impact

Tokenization is the process of converting rights to an asset into a digital token on a blockchain [1]. It provides a way to enable efficient ownership transfer and secondary market that decreases friction in such a conservative industry as fine art. Market is growing by two-digit percentage every year and recently reached $63B [4]. 20%+ increase in auction sales worldwide [2], but only 8% of total art auction sales are online [3]. In order to sustain that growth, industry should be digitally transformed.

Art market challenges

Due to the fact that the way to do business hasn't, art market has inherent problems:
1. Lack of transparency;
2. Difficult to track provenance / copyright / ARR / trade restrictions;
3. High fees and low liquidity;
4. Industry isn't ready for digital economy.

Old way of doing business will be in a position where competition becomes harder and harder.

Our approach - blockchain technology as a way forward

Benefits from the usage of blockchain technology:
1. Creation of the immutable registry of art, certificates, copyright records etc;
2. Efficient secondary markets with instant liquidity and low fees;
3. Increased transparency for investors and painters;
4. Reduced costs of onboarding;
5. Flexible and extendable infrastructure.

Distributed Lab utilizes benefits of blockchain by providing the ability to create a fully integrated solution. We offer a new revenue streams for galleries and marketplaces via our TokenD platform that will help you to launch fast.

Future trends in art industry

There are also three important trends that will play a significant role in the upcoming years.
1. **Online peer-to-peer trading/exchange**
   Blockchain-based ownership tracking ensures secure transactions, which allow for private investor-to-investor trades.

2. **Fractional ownership**

   Tokenized artwork can be owned by multiple investors. Fractions of million-dollar artworks can be traded on a global marketplace. This provides investors with liquidity and a market-driven price discovery mechanism.

3. **Crowdfunding**

   An ability to invest into the future artworks of a painter, where investors get share of profits from the future sale in return.

TokenD - an innovative software solution for galleries and marketplaces

TokenD [5] is a blockchain software platform for creating own tailored solutions that provides the necessary set of features for tokenization and online trading of art items. It allows to launch a digital marketplace for art, with the following functionality:

1. Ability to list art, register painters, buyers.
2. Provide them with a direct sale, auction or exchange functionality.
3. Store information in the internal registry, track provenance, copyright etc.
4. Enable innovative features such as fractional ownership and crowdfunding.

Key benefits of TokenD platform

Unique benefits of TokenD platform are:

1. Provides with full control over your own system;
2. Enables seamless creation of the digital registry of art between partnering galleries;
3. Very fast time to market (days/weeks) and affordable solution price;
4. Simplifies complex process of onboarding of new investors, partners and best painters .

Case study (Large Art Marketplace)

The Art Director realized that managing the information around the art sales is not scaling fast enough. Art Director is fearing that people who are used to flexibility that e-commerce provides will be driven off the old-fashion industry. Art Director wants to get the advantage over their competitors and implement features that will attract new audience.

Using TokenD platform the new solution for the marketplace was rolled out within 1 month.

It contains all the standard functionality to list and sell art as well as innovative features such as support of digital currencies, online auctions, fractional ownership and crowdfunding. Within three months of using the Distributed Lab TokenD solution, the Agency has:

1. Decreased time spent managing new registrations
2. Improved auditability of ownership transfers
3. Attracted more investors that were interested in instant liquidity

4. Decreased fees for each operation but increased revenue due to significant traction among investors who use internet to trade

Practical steps to drive digital transformation of the art industry

1. Set up a workshop with demo of PoC.
2. Buy TokenD software.
3. Enable online access to the inventory and auctions through APIs.
4. Provide possibility for private and fast transactions with digital currencies.
5. Enable secondary market trading.
6. Enable fractional ownership functionality.
7. Enable crowdfunding functionality to investors.

How to get the solution?

Please contact us at sales@distributedlab.com

Links

1. [How Tokenization Is Putting Real-World Assets on Blockchains](#)
2. [Art & Finance Report 2017 by Deloitte](#)
3. [TEFAF Art Market Online Focus 2017](#)
4. [The Art Market 2018 - UBS Report](#)
5. https://tokend.io/crowdfunding

For more information contact enterprise@distributedlab.com