Observable persuaders: A longitudinal study on the effects of quality signals in the contemporary visual art market

Kackovic, M.

Citation for published version (APA):

General rights
It is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), other than for strictly personal, individual use, unless the work is under an open content license (like Creative Commons).

Disclaimer/Complaints regulations
If you believe that digital publication of certain material infringes any of your rights or (privacy) interests, please let the Library know, stating your reasons. In case of a legitimate complaint, the Library will make the material inaccessible and/or remove it from the website. Please Ask the Library: https://uba.uva.nl/en/contact, or a letter to: Library of the University of Amsterdam, Secretariat, Singel 425, 1012 WP Amsterdam, The Netherlands. You will be contacted as soon as possible.
OBSERVABLE PERSUADERS

A LONGLITUDINAL STUDY ON THE EFFECTS OF QUALITY SIGNALS IN THE CONTEMPORARY VISUAL ART MARKET

Monika Kackovic
A Longitudinal Study on the Effects of Quality Signals in the Contemporary Visual Art Market
OBSERVABLE PERSUADERS:

A Longitudinal Study on the Effects of Quality Signals in the Contemporary Visual Art Market

ACADEMISCH PROEFSCHRIFT

ter verkrijging van de graad van doctor aan de Universiteit van Amsterdam op gezag van de Rector Magnificus prof. dr. ir. K.I.J. Maex
ten overstaan van een door het College voor Promoties ingestelde commissie, in het openbaar te verdedigen in de Agnietenkapel on donderdag 17 november 2016, te 16:00 uur

door
Monika Kackovic
geboren te Bratislava, Slowakije

PROMOTIECOMMISSIE

Promotor: Prof. mr. dr. N.M. Wijnberg University of Amsterdam
Copromotor: Dr. J.J. Ebbes University of Amsterdam
Overige leden: Prof. dr. J. Hartog University of Amsterdam
Prof. dr. C. Jones University of Edinburgh Business School
Prof. dr. M. Salomon University of Amsterdam
Prof. dr. R. Suddaby Gustavson Business School, University of Victoria
Dr. A. Witte University of Amsterdam

FACULTEIT ECONOMIE EN BEDRIJFKUNDE

This research was supported by the Netherlands Organisation for Scientific Research (NWO) under project number: 017.008.11

TABLE OF CONTENTS

CHAPTER 1
INTRODUCTION

1.1 MAIN THEORETICAL THEMES
1.1.1 Multi-dimensional qualitative attributes of sources conveying signals 15
1.1.2 Signals of the same kind and sets of signals of different kinds 18
1.1.3 Effect of signals on different kinds of buyers and different kinds of intermediaries 18
1.1.4 Effect of signals and sets of signals on different phases of producers’ career trajectories 20

1.2 EMPIRICAL SETTING
1.2.1 Contemporary visual art market 21
1.2.2 Multiple sources of data 21
1.2.3 Summary of data 22

1.3 EMPIRICAL STRATEGY 23

1.4 STRUCTURE OF THE THESIS 24

CHAPTER 2
PICKING THE CREAM OF THE CROP:
A Study on the Effectiveness of Jury Selection to a Prestigious Art Academy

2.1 INTRODUCTION 29

2.2 THEORETICAL FRAMEWORK 30

2.3 EMPIRICAL SETTING
2.3.1 Evolution of the selection process 32
2.3.2 Selection rounds 33

2.4 DATA 34
2.4.1 Data collection 34
2.4.2 Interviews and non-participatory observation 35
2.4.3 Analysis of interview notes 35
2.4.4 Performance measures 38

2.5 AT FIRST GLANCE: THE ADMITTED AND THE REJECTED 38
2.5.1 Summary statistics 38
2.5.2 Preliminary Analyses 40

2.6 SELECTION AND FUTURE PERFORMANCE 45
2.6.1 Interview notes and selectivity 45
2.6.2 Multiple selection criteria 47
2.6.3 Switching regressions 50

2.7 ROBUSTNESS TESTS 56
2.7.1 Alternative selection simulations 56

2.8 CONCLUSIONS 59

2.9 APPENDIX 61
CHAPTER 3
LOOKING FORWARD TO THE PAST:
The Effects of Past Sales and Signals on Expert Buyers

3.1 INTRODUCTION 71
3.2 THEORETICAL FRAMEWORK AND HYPOTHESES 73
  3.2.1 Signals and pre-purchase uncertainty 73
  3.2.2 Expert buyers and number of signals 75
  3.2.3 Expert buyers and source credibility of third party sources 76
  3.2.4 Number of signals and the moderating role of source credibility 77
  3.2.5 Expert buyers and past sales 78
3.3 EMPIRICAL SETTING 79
  3.3.1 Primary market for contemporary visual art 79
  3.3.2 Prestigious art residency 80
  3.3.3 Corporate art collectors 81
3.4 EMPIRICAL STRATEGY 81
  3.4.1 Model 81
  3.4.2 Variables 82
    3.4.2.1 Sales 82
    3.4.2.2 Past performance and signals 83
    3.4.2.3 Measuring credibility of third party sources 84
    3.4.2.4 Control variables 84
    3.4.3 Estimation 85
    3.4.4 Summary statistics 85
3.5 RESULTS 87
  3.5.1 Explaining sales and sales price by signal counts 87
  3.5.2 Explaining sales and sales price by source credibility 89
  3.5.3 Explaining sales and sales price by signal counts moderated by source credibility 90
  3.5.4 Explaining sales and sales price by past sales 93
3.6 DISCUSSION AND CONCLUSION 94
  3.6.1 Summary of contributions 94
  3.6.2 Managerial relevance 96
  3.6.3 Limitations and future research 97
3.7 APPENDIX 99

CHAPTER 4
CROSSING THE THRESHOLD AND EXITING NASCENCY:
Antecedents to gaining full-fledged legitimacy

4.1 INTRODUCTION 103
4.2 THEORETICAL FRAMEWORK AND HYPOTHESES 105
  4.2.1 The end of nascenty and the role of the core mediator 105
  4.2.2 Third party signals 106
  4.2.3 Source credibility of third party sources 107
  4.2.4 Diversity of sources 108
4.3 EMPIRICAL SETTING 109
  4.3.1 Art galleries and the primary art market 109
  4.3.2 Renowned art academy 110
  4.3.3 Data collection and sample 110
4.4 EMPIRICAL STRATEGY 110
  4.4.1 Model 110
  4.4.2 Variables 111
    4.4.2.1 Affiliation with art gallery 111
    4.4.2.2 Source credibility and source diversity 111
    4.4.2.3 Measuring credibility of third party sources 113
    4.4.2.4 Control variables 113
4.5 RESULTS 114
4.6 ADDITIONAL ANALYSES 117
4.7 DISCUSSION AND CONCLUSION 118
4.8 APPENDIX 121
CHAPTER 5
SEQUENCES AND CONSEQUENCE:
The effects of the first sequence of signals from highly credible third party sources on long-term sales performance

5.1 INTRODUCTION
5.2 THEORETICAL FRAMEWORK
  5.2.1 Overcoming the liability of newness by external legitimation
  5.2.2 Signals from highly credible third party sources
  5.2.3 Sequences of signals
5.3 EMPIRICAL SETTING
  5.3.1 Contemporary visual art market
  5.3.2 Sales to different categories of customers
5.4 EMPIRICAL STRATEGY
  5.4.1 Model
  5.4.2 Variables
    5.4.2.1 Sales
    5.4.2.2 First sequence of signals
    5.4.2.3 Measuring credibility of third party sources
    5.4.2.4 Control variables
5.5 RESULTS
  5.5.1 Summary statistics
  5.5.2 Explaining late sales by first sequence of signals
5.6 ADDITIONAL ANALYSES
5.7 DISCUSSION AND CONCLUSION
  5.7.1 Summary of contributions
  5.7.2 Limitations and future research
5.8 APPENDIX

CHAPTER 6
DISCUSSION AND CONCLUSION

LIST OF FIGURES AND TABLES

LIST OF FIGURES
FIGURE 2.1 Box plot distributions of ArtFacts.Net rankings
FIGURE 2.2 Histograms of ArtFacts.Net rankings
FIGURE 2.3 Two-way scatter plots of ArtFacts.Net rankings
FIGURE 2.4.1 Distribution of number of artworks sold for accepted and rejected applicants
FIGURE 2.4.2 Distribution of number of artworks sold [log] for accepted and rejected applicants
FIGURE 2.4.3 Distribution of sales price of artworks sold [log] for accepted and rejected applicants
FIGURE 2.5 Scores on jury criteria for accepted and rejected applicants
FIGURE 2.6 Performance outcomes [log] for the observation sample and simulations
FIGURE 3.1 Descriptive statistics: The effects of signals in t-1 on sales in t
FIGURE 3.2 Estimating sales count: A counter-factual experiment
FIGURE 3.3 Estimating sales price: A counter-factual experiment

LIST OF TABLES
TABLE 2.1 Description of selection criteria
TABLE 2.2 Sample characteristics, all applicants with and without jury notes
TABLE 2.3 Residuals and probability of acceptance
TABLE 2.4 Probability of interview notes related to performance
TABLE 2.5 Probability of acceptance
TABLE 2.6.1 Explaining reputational rankings by selection criteria
TABLE 2.6.2 Explaining sales at art auctions by selection criteria
TABLE 3.1 Explaining sales count by lagged signal counts
TABLE 3.2 Explaining average sales by lagged sales price
TABLE 3.3.1 Explaining sales count by lagged sales credibility
TABLE 3.3.2 Explaining sales price by lagged sales credibility
TABLE 3.4 Explaining sales count by signal count and source credibility level: A counter-factual experiment
TABLE 3.5 Explaining sales price by signal count and source credibility level: A counter-factual experiment
TABLE 4.1 Cox proportional hazard estimate of the first affiliation with an art gallery
TABLE 5.1 Explaining late sales (log) by first sequence of signals
TABLE 5.2 Explaining late sales (log) by first sequence of signals with high credibility restriction
TABLE 5.3 Explaining late sales (log) by first sequence of signals with time restriction