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The Business of Contemporary Art: The Evolution of the UK's Leading Contemporary Arts Magazine and Fair

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Abstract. The case study deals with the creation and growth of *Frieze* in London to become a global leader in the contemporary art industry. Developed by two young college graduates, Matthew Slotover (a psychology graduate) and Amanda Sharp (a Politics Philosophy and Economics graduate), assisted by Tom Gidley (an art college student), the first edition of the *Frieze* magazine appeared in June 1991. By focusing on art galleries as key customers and by applying their expertise in desktop publishing, *Frieze* has grown into a significant company with 44 employees and a turnover exceeding £ 5 million. Today, *Frieze* is the top contemporary art magazine in Europe, also gaining a strong position in the US. *Frieze Art Fair* in London, launched in 2003, has become one of the top-tier art fairs globally. The case provides a detailed account of how the business strategy evolved and the process use to find profit opportunities. The case enables analysis of the circumstances and growth of the business to date and offers the challenge to use the insights gained from the analysis to determine an appropriate growth strategy from the many options now open for the business in 2008. A detailed Teaching Note is available with analysis and suggestions for questions to help stimulate discussions in the classroom.

Keywords: arts industry, business growth strategy, entrepreneurship, innovation, new venture creation.

1. Introduction

Matthew sat back and surveyed the packing boxes that filled the office. He mulled over the many decisions he and Amanda had taken to get this far, and the crucial one facing them now in May 2008. *Frieze* was not only the market leader in contemporary arts magazines in Europe, but also occupied a strong position in the

1. The case has been prepared by Dr Stephanie Hussels, Lecturer in Entrepreneurship, and Robert Brown, Visiting Fellow, at the Bettany Centre for Entrepreneurial Performance & Economics with help from the MBA class of 2008 led by Kathryn Titterington, including Notis Stamos, Wonu Olanrewaju, and Sunmade Orimoyegun. The authors would like to thank Matthew Slotover and Amanda Sharp for their generous support and kindly provided insights into the Frieze companies. The case is intended as a basis for class discussion rather than to illustrate either effective or ineffective handling of management situations.

US. The *Frieze Art Fair* had become one of the three top-tier contemporary arts fairs globally. Making the wrong choice now about how to grow the business could cause irreparable damage to the brand and reputation they had so painstakingly built.

Exhibit 1: Selection of Frieze magazine covers

2. In the Beginning *(part i)*

Matthew had graduated from Oxford University with an honours degree in psychology in 1989. Unsure of the career path he wanted to follow, he re-turned to London to live with his parents. His father was an agent for classical musicians and his mother worked for a children's book publisher. They had both agreed to support him financially while he decided on his future. None of them had anticipated that this would take quite so long.

During the first months after his graduation, Matthew started to develop a growing certainty that he wanted to work for himself. A chance visit to an art gallery with a friend of his from St Martin's College of Art & Design sparked a passion for contemporary art, and he began to spend more time visiting exhibitions and galleries. Before long he knew that he wanted to find a way to combine his passion for art with his dream of being his own boss.

A promotion in the *Guardian* newspaper that summer had been the catalyst for his new business idea: The paper had shown four works by unknown artists, the prices, as well as the artists' contact details. While art normally sells via galleries, with the latter taking 40-50% commission on each work sold, Matthew thought that he could create a hybrid magazine/ catalogue in which artists could present their work and their prices. This would enable artists to sell directly to consumers. Since he would take only a 15% commission, the artists would reach a wider audience and buyers would pay less for their art. He was convinced that his idea would revolutionise the way the contemporary art world worked.

By November 1989, he had broached his idea to artists and galleries. He had even obtained quotations for the printing of the first issue of '*RT Magazine'*. Early in 1990, however, he decided that he needed help with the business side of his venture, and joined the Graduate Enterprise Programme at a well-known UK Business School. It was here that he started to work on a formal business plan for the magazine, along with marketing and cash flow schedules.

While doing the course, Matthew continued to attend exhibitions and events, meeting new artists and excitedly describing the magazine he was about to launch to all and sundry. Most people were either politely positive about his idea, or vaguely non-committal. A chat with Carl Freedman in 1990, however, brought him down to earth with a bump. Carl was a gallery owner, and a key player in London's growing contemporary art scene. He didn't pull any punches and told Matthew that his idea simply wouldn't work. "None of my artists will use this magazine. It's tacky, and they won't do it. There's a system for exhibiting, and that's the way it works."

Stuart Morgan, London's prominent art critic, as well as writer for and editor of the leading UK art magazine *Artscribe*, and writer for the US *ArtForum*, agreed. "Having even one thing for sale will destroy the credibility of the magazine. That's not how this world works." Looking back, Matthew was glad he had taken their advice.

3. *Frieze* is Born

RT Magazine was abandoned but something that Stuart had said, stuck in Matthew's mind. Perhaps it was possible to change the magazine's vision. He could remove the sale side, but keep the editorial content, talk about the ideas behind art. Although *Artscribe* had been published for 15 years, he had a hunch that a new magazine with a fresh approach would be welcomed in the market, even if it couldn't knock *Artscribe* from its top spot.

Early in 1991, Matthew contacted Amanda Sharp, an old university friend with whom he had often discussed the possibility of setting up a venture during their student days. Having just been made redundant from her job in TV production, and excited by Matthew's idea and by art, Amanda moved back to her parents' house in London to work with Matthew full time. Her focus would mainly be on generating advertising revenues. They enlisted Tom Gidley as the team's third partner. Tom was still studying art at college, but agreed to work on the design of the magazine.

With the team in place, the next task was to decide on the magazine's name. Wanting to create a fresh image, they were all keen to avoid a predictable title. For inspiration, they looked up the word 'art' in a thesaurus. '*Frieze'* immediately caught their attention. It seemed distinctive and cool, and was an identity that could in future be extended to other areas if they chose.

4. The First Issue

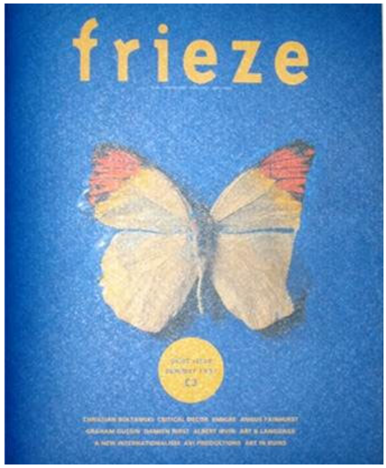
Matthew set up a limited company with himself and his father as directors and a 99%:1% notional share split in his favour. The three partners moved into a shared office space with one of Matthew's contacts, Tony Arefin, a designer. With the recession biting, Tony was happy to share his small office space with the young team for a £20 per week contribution to his rent. More crucially, though, he introduced them to some of the printers and advertisers they later needed.

> "You have to be bold enough to pursue your idea, but humble enough to listen to other people when they tell you your idea is wrong…" Matthew

The recession was impacting everyone in the UK, but it meant that some of the *Frieze* team's contacts in the art world were less busy and willing to offer time and advice to the start-up. Stuart Morgan, who had left *Artscribe* early in 1991, became heavily involved with the trio in an advisory capacity in respect of both the magazine's production and content.

Right from the start, all of them were committed to the quality and integrity of the magazine, knowing that its success hinged on its appeal to the right people in the art world. With Stuart's help, they approached London's top art critics to ask for content, paying £50 for each article. Although this was only a small amount, they all felt it was important to pay contributors for their work. The inaugural issue led with the first published interview of a relatively unknown artist, Damien Hirst, whom Matthew had met at an exhibition the previous year in East London, coincidently entitled 'FREEZE'! Furthermore, Amanda had been able to involve some of London's top galleries by offering free advertising space.

Exhibit 2: The first Issue (June 1991)



The launch of *Frieze* coincided with the advent of desktop publishing. Matthew, specifically, was excited by this new technology. By using DTP from the first issue onward, the team avoided much of the traditional publishing and printing costs to which longer-running magazines were subjected. The outgoings of the first issue were therefore limited to the £50 per article costs, the £20 weekly rent, and the £1,500 printing costs for the first run of 1,500 copies. Although the trio were all working fulltime on the magazine, Tom was the only one who drew any salary from the business: £30 per week to cover his rent and living expenses.

In 1990, Matthew had applied to the Arts Council for a grant to support the start-up, but had been firmly rejected. The cost of the first issue was therefore met by a long-term loan from Matthew's father.

In June 1991, the first issue of *Frieze* appeared. Matthew recalled how, when handing out free copies at an exhibition at the Royal College of Art, they had been stunned by the demand and reactions. "Maybe we've not got this completely wrong," he had thought.

5. Building a Brand, and Building a Business

After the positive response that *Frieze*'s launch had received, the team set about producing the second issue. They continued to work with Stuart to source top-quality editorial content, while Amanda successfully negotiated the sale of all of the advertising space to their target galleries. The back page alone raised £1,200. In October they printed 5,000 copies of the magazine, selling through Central Books, a distributor, at a cover price of £3, in line with other, similar, niche market publications.

In September of that year, *Artscribe* was re-launched by its new owner. For the 15-year-old UK market leader, however, the re-launch was to prove disastrous. Its production standards were increased with a cover price of £10 reflecting this, but it was unable to maintain its high-quality editorial content. The contemporary art market in the UK shunned its former favourite and *Artscribe* folded in December 1991.

Frieze was catapulted to number one in what was effectively a ready-made market. A re-application to the Arts Council at the end of 1991 yielded a different response to that of the previous year – the magazine was awarded a £19,000 annual grant. In 1992 this was 50% of their total annual income.

The second year of *Frieze*'s existence was a turning point. Matthew, Amanda and Tom decided to take the magazine overseas. Although they were London-based, the contemporary artists, galleries, buyers and advertisers that they featured all operated globally. In the small world of international contemporary art, where you were didn't matter so much as how good you were, and whom you knew!

Matthew had met New York-based art dealer and consultant Clarissa Dalrymple at a gallery event in London during the summer. She had casually said that if the *Frieze* team were ever in New York, they should give her a call. In October of that year, the team squeezed into a phone booth in New York and dialled Clarissa's number. At a dinner hosted for them by Clarissa in that same week, *Frieze* and its creators were introduced to the top 50 people in New York's contemporary art scene. Their entry into the US had begun.

Exhibit 3: Amanda & Matthew

Amanda has described the early years of the magazine as "capturing a zeitgeist". London's contemporary art scene expanded throughout the 1990s and 2000s. The number of artists increased, as did the number of galleries: from fewer than 10 in 1992 to over 100 in 2004. With each *Frieze* issue, they increased both the number of pages and the number of copies printed, as well as the amount they paid contributors. There had indeed been cash flow issues during the first few years, requiring Matthew's dad to help out to the tune of £20,000. By 1995, however, the magazine was making a profit (see *Appendix A* for a summary of the financials).

By 1998, the magazine was the market leader in Europe and well-established in the US. The three founders recruited more people until they had a fulltime team of 10 people. Each year they tried to bring these employees' salaries closer to market values. They were now paying themselves annual salaries of £25,000 rather than drawing funds as dictated by individual need. Matthew was, however, the only one of the three to hold any equity. It had been hard work for all of them, but in the span of seven years they had successfully built *Frieze*'s international reputation and a profitable venture.

6. The Seven Year Itch

The business was now in a stable position. The three continued to handle their various responsibilities, with Tom leading on design, Amanda on sales and promotion, and Matthew on editorial. With this stability, however, came boredom, and over the next few years the tightly-knit trio began to seek additional challenges outside the business.

Matthew was approached by a small technology business in 1999 and offered a role paying twice what he was earning through *Frieze*. He decided to step back from the magazine and accepted the new position. It didn't take long for him to realise, however, that he had been right all those years ago in deciding he didn't want to work for someone else, as it was frustrating not to have the power to push new ideas through. Within two months he was back at *Frieze* fulltime. He was still not quite satisfied, though.

In 2000, he joined forces with Carl Freedman, and the pair set up *Counter Editions*. This venture was a similar concept to the magazine that Matthew had originally proposed in 1989, but selling higher volumes of artists' work at a lower price via the Internet. *Counter Editions* launched to a media fanfare, and turned over £100,000 on the first day. Sadly, this performance could not be repeated. Over the next few months, it became apparent that the work and the revenues involved would not support the two of them. Matthew pulled out of the company, returned the capital raised, and gave his shares to Carl, who continued running the business.

Amanda also began to get bored, spending some of her time in the TV industry again. When *Frieze*'s US editor left the business, she moved to New York to recruit a replacement. While she was working there, she and Matthew agreed that there was scope for her to be based in New York permanently. This decision resulted in a 400% increase in the magazine's US revenues, and a new company structure: Amanda as the US publisher and Matthew as the UK publisher.

Both Amanda and Tom had raised the issue of sweat equity from the start, and in 2000, Matthew had given them each a 20% share. In 2001, however, Tom decided that it was time to at last pursue a career as an artist in his own right and left the business. Matthew and Amanda bought his 20% shares for £50,000, and reallocated the equity 68%:32% in Matthew's favour. In the same year, the grant from the Arts Council was withdrawn. By this time, though, the £19,000 annual support represented just 5% of *Frieze*'s income.

Whilst these years were difficult and tense at times, both Amanda and Matthew felt that it was a period they had had to go through. Their experiences outside of *Frieze* had awakened a desire to do new things and to take a few risks – something they had been nervous of before. It was this newly found courage that prompted the expansion of the *Frieze* success story.

7. A New Direction *(part ii)*

It had long seemed crazy to Matthew and Amanda that London didn't have its own contemporary art fair. London had become a major centre for contemporary art, and yet galleries and artists were forced overseas – to mainland Europe and the US – to exhibit. They began to discuss this gap in the market with the contacts they had built up through the magazine and received a unanimously positive response.

As with the magazine, they focused on quality right from the start. With most galleries only able to exhibit at two or three events each year, the industry could only sustain two or three top fairs internationally. The partners decided that if they couldn't be one of these top-tier fairs, they wouldn't proceed. Relationships they had built up over the last 12 years now proved their worth, as discussions with each of the top galleries resulted in their commitment to the proposed venture.

In 2003, Matthew and Amanda set up a new company, *Frieze Events*, secured a £100,000 bank overdraft facility, and started work on the first ever *Frieze Art Fair*. The revenue model meant that galleries booked and paid for space at the fair up-front, whilst suppliers expected payment after the event, so cash flow was positive right from the start.

As they had hoped, the calibre of galleries and artists at the *Frieze Art Fair* positioned it as one of the top three in the world, alongside Basel and Miami. Its success in 2003 paved the way for the fair to become one of the most important events in the contemporary art world's calendar (see *Appendix B* for sample press coverage). It also doubled the size of Matthew and Amanda's business and was profitable by 2005. Unusually, lots of artists themselves came to the Fair! Children's activities were also provided by artists; an outdoor sculpture park was added and attendance had grown from 26,000 in year one to over 60,000 in 2008.

Exhibit 4: Scenes from the 2007 Frieze Art Fair

8. The Future

When they had started out, they had all been young and had nothing to lose. Theirs had been a lifestyle business out of which they hadn't really ever expected to make any money. Now they employed over 30 people. The magazine was turning over around £2m each year, with 80% of revenues coming from advertising, and 20% from sales. The fair turned over around £3.5m by 2007. Although five magazines had launched in their space since *Frieze*'s first issue, none managed to capture a meaningful share of the market. Remembering *Artscribe*, though, the team knew they couldn't afford to become complacent.

Competition among the art fairs was rife. Paris, Cologne, Berlin and New York were all jostling to break free of the second tier and join the top three. Without the global capacity for a fourth fair in the premier tier, however, *Frieze*, like Basel and Miami, had to work hard to protect its position. Their personal reputations were also at stake. In 2006 and 2007, *Art Review* rated them among the top 20 most influential people in the art world, and in 2008 Matthew was asked to sit on the UK Arts Minister's steering committee.

It was lunchtime. From his office, Matthew watched his employees gather at the long dining table for the lunch that each of them prepared for the team in turn. Not only did he and Amanda have to organise the move to a new, larger office, but they were also keen to continue to grow *Frieze* before another period of boredom set in. With the eyes of the art world on them and with so much more at stake this time, they were anxious to make the right decision. Matthew cast his mind over each of the options available and their implications.

Option One – Publish in multiple languages

The magazine featured international content, but was only published in English. Publishing in multiple languages would provide a new focus for Matthew and Amanda, as well as improved access to new markets, particularly China, whose art world was widely felt to be on the brink of explosion, with Chinese venues for contemporary art multiplying exponentially, overseas collectors eying China hungrily, and prices for Chinese art hitting an all time high. If they could get in there, *Frieze* could become the global leader ahead of its American rival *Art Forum*. While China offered the biggest new market potential, there would be legal hurdles to overcome related to operating there, as well as the issue of potential censorship. *Frieze's* content challenged boundaries and perceptions. Was this compatible with the present Chinese environment? Should *Frieze* adapt its content for this market, or was China in 2008 on the cusp of a contemporary art zeitgeist, as London had been 17 years before? Distribution issues, as well as translation capabilities, would have to be resolved. The US had proved that international shipping costs meant that overseas sales didn't always cover the initially associated higher costs. But this was their chance to become the global leader. Could it be a profitable way to grow?

Option Two – Organise additional fairs

Another route to change and growth could be through organising more fairs. They had been approached by six or seven cities in recent months, including Berlin, New York and Moscow, asking for the duo's expertise in this area. Whilst the market hadn't grown enough to accommodate another top-tier event, second-tier fairs were just as profitable, and their years of experience with the *Frieze Art Fair* in London could make this a lucrative way forward. They received three times as many gallery applications as they could accept for London, so the customer base was there and they would be able to sell the space. But should the brand be extended to the second tier? And how would another fair impact on London?

Option Three – Art School

The third option Matthew and Amanda were considering was setting up an art school in London. The general consensus was that London's art schools are not what they were in the 70s and 80s. This was partly because of government conditions for universities, which meant that there was more paperwork and less freedom for teachers. Very few well-known artists taught in London art schools a situation that was not the case in previous decades. Matthew and Amanda felt they could use their *Frieze* contacts to attract the best artists and writers to teach at an art school, and that a strong art school could revitalise the London art scene, as the fair and the magazine once did. A stronger London scene would in turn help the existing businesses and would benefit *Frieze* the brand by adding credibility. But how would an art school be funded? Could students be asked to pay significant fees? Would it ever be profitable or was this a permanent non-profit/ charity? And should *Frieze* be doing non-profit at this relatively early stage in the business?

Option Four – Launch a new 'Art Building' concept

Another option was to set up a new company and act as letting agents and marketers for a new 'art building' concept. This would involve finding suitable properties in key cities and, with the owners' agreement, leasing space within them to galleries, theatres, as well as book and music retailers, alongside restaurants and hotels. There was potential for this concept to be applied around the world, but it would be a departure from everything they had done before. No capital investment was needed from *Frieze*, but did they have the skills to make this work?

Option Five – Latest ideas!

- Publish a series of 'insider' or 'artist-led' city guides.
- Invest in/buy an up-and-coming fashion magazine that Matthew and Amanda believe is an excellent buy, currently underfunded.
- Start a travel company to take art collectors on art tours of cities around the world.
- Open a '*Frieze* Hotel'.
- Start a competitor to London Film Festival or London Fashion Week, the London Biennale art exhibition.

Matthew and Amanda were now suffering from what they called "Encore Anxiety", i.e. what to do next? They had grown the business slowly and organically, and fostered a generative and creative culture with a fairly flat structure, and with lots of direct contact between the two founders and the teams. (See *Appendix C* for current organisational structure.) Perhaps it was time to pick up the pace. What would further growth mean for the structure of the business, for his and Amanda's roles, and for the bottom line? What new systems or processes would they need to put in place? How could they protect the culture they had nurtured, whilst keeping their own motivation going through continuous innovation? And how could they do all this without damaging the brand and the business they had so carefully built? Matthew felt he had better draw up a list of 'pros' and 'cons' on each option to discuss with Amanda on her next visit.

Appendix A – Summary Financial Performance

Abbreviated Balance sheet - Frieze Publications Ltd
(Formerly trading as Durian Publications Ltd)

£	1992	1993	1994	1995	1996	1997
Fixed Assets	5,585	6,527	9,229	8,849	11,774	10,030
Current Assets	21,345	21,024	53,172	72,856	88,631	125,997
Current Liabilities	-48,860	-64,148	-69,882	-77,112	-80,414	-99,310
Net Current Assets	-21,930	-36,597	-7,481	4,593	19,991	36,717
Called-up share capital	2	2	2	2	2	2
Reserves						
Retained Earnings	-21,932	-36,599	-7,483	4,591	19,989	36,715
Shareholders' Funds	-21,930	-36,597	-7,481	4,593	19,991	36,717

£	1998	1999	2000	2001	2002
Fixed Assets	5,794	7,188	11,514	74,413	53,290
Current Assets	155,055	157,319	268,761	265,179	227,858
Current Liabilities	-148,422	-148,157	-209,901	-210,450	-151,599
Net Current Assets	12,427	16,350	70,374	129,142	129,549
Called-up share capital	2	2	100	80	80
Reserves				20	20
Retained Earnings	12,425	16,348	70,274	129,042	129,449
Shareholders' Funds	12,427	16,350	70,374	129,142	129,549

£	2003	2004	2005	2006	2007
Fixed Assets	41,671	34,979	29,461	168,492	112,243
Current Assets	279,817	390,133	733,498	463,755	925,952
Current Liabilities	-211,377	-295,057	-668,040	-565,994	-1,033,433
Net Current Assets	110,111	130,055	94,919	66,253	4,762
Called-up share capital	80	80	280	280	280
Reserves	20	20	20	20	20
Retained Earnings	110,011	129,955	94,619	65,953	4,462
Shareholders' Funds	110,111	130,055	94,919	66,253	4,762

Abbreviated Balance sheet - Frieze Events Ltd

£	2003	2004	2005	2006	2007
Fixed Assets	2,743	2,273	1,156	162	0
Current Assets	795,808	952,962	1,641,071	1,475,374	1,784,074
Current Liabilities	-798,451	-965,927	-1,563,144	-1,453,681	-1,776,863
Net Current Assets	100	-10,692	79,083	21,855	7,211
Called-up share capital	100	100	100	100	100
Reserves					
Retained Earnings	0	-10,792	78,983	21,755	7,111
Shareholders' Funds	100	-10,692	79,083	21,855	7,211

The financial strategy is to retain only those profits in retained earnings needed for re-investment the following year.

1. 200 ‘B’ shares issued, shared evenly by Matthew and Amanda, for dividend purposes.
2. ‘A’ shares held 68% by Matthew, 32% by Amanda, same as Frieze Publications.

Appendix B – Sample Press Quotes about the *Frieze Art Fair*

"Perhaps the most important contemporary art fair in the world"

Stefanie Marsh, The Times, 12 October 2007

"It's astonishing that until three years ago London didn't have a fair. It is a huge achievement that organisers Matthew Slotover and Amanda Sharp have created something that is regarded already as one of the best three fairs in the world."

Sir Nicholas Serota, The Guardian, 12 October 2006

"London's *Frieze Art Fair* is global in scope and cheeky in spirit"

Vogue (America), October 2007

"The world's coolest art fair"

The Guardian, 6 October 2007

"*Frieze Art Fair* in London is an irresistible mix of art, commerce and glamour, and has quickly made a reputation for itself as an international showcase for some of the best contemporary art"

New York Times, 30 September 2007

"Now in its fifth year, the fair attracts the trendiest galleries and most celebrated contemporary artists from around the world. The fair now attracts so many top collectors that the international auction houses piggyback benchmark contemporary sales on it"

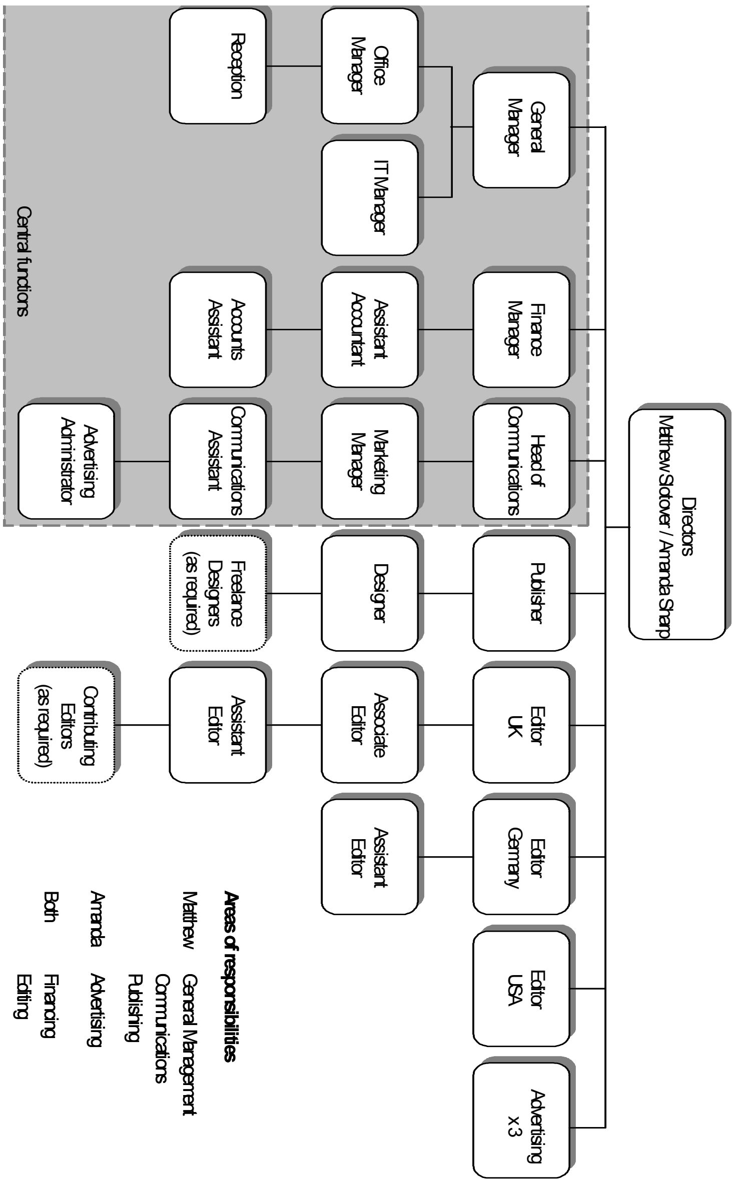
Wall Street Journal, 14-16 September 2007

"On paper it's just an art fair. But then, on paper, Michelangelo's David is just a lump of stone. On paper, the Taj Mahal is a building, and Helen Mirren is an actress...I am not saying that *Frieze* isn't, technically, an art fair. My point is that this glum definition doesn't begin to capture the drama and buzz of the event in the tent."

Waldemar Januszczak, Sunday Times, 7 October 2007

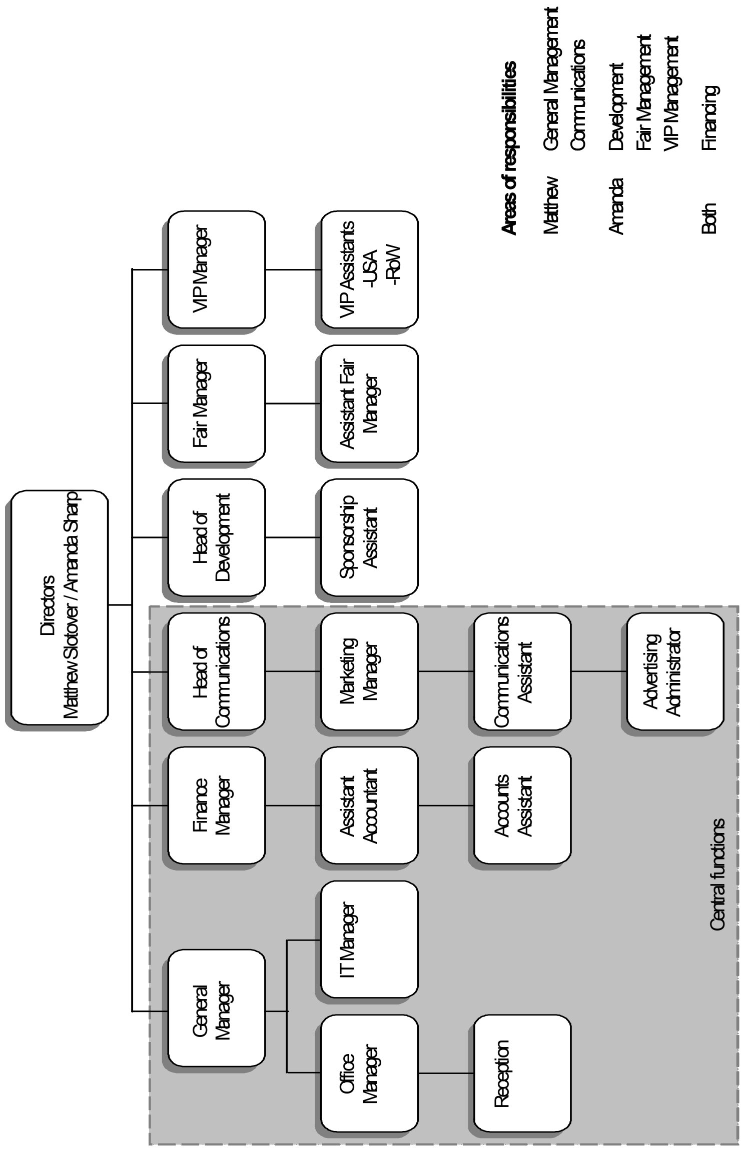
Appendix C – 2008 Organisational Structure Charts

Frieze magazine



Total FTE: 24
Central functions shared across magazine and fair

Frieze Art Fair



Total FTE: 20
Central functions shared across magazine and fair