

Future of the Art Market

(Lecture structure)

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Quotes about the future

‘If you don't think about the future, you cannot have one.’ John Galsworthy, English novelist (1867-1933)

‘The further back you look the further forward you can see.’ Sir Winston Churchill, British Prime Minister and Nobel Prize winning writer (1874-1965)

‘Prediction is very difficult, especially about the future’ Niels Bohr, Nobel Prize winning physicist (1885-1962)

‘The best way to predict the future is to invent it.’ Theodore Hook, English author (1788-1841)

‘The creation of art is not the fulfilment of a need but the creation of a need’ (Louis I Kahn, Architect, 1902-74)

Future Studies/Scenario Planning

‘It’s a tool for understanding the real long term implications of our choices so that we can make better decisions today’

Peter Schwartz, *The Art of Long View*, 1999

Lecture Outline

Future of the Art Market

- Why I have chosen this subject
- The future in art
- Futurology , futurists and forecasting
- What is foresight/future studies and scenario planning
- What do we need and want to know
- Research sources
- Demography and the art market
- Environmental analysis – demography, economy, technology, politics/law, society, culture
- Company performance
- Competition model – Porter’s five forces analysis
- Value chain analysis
- Key uncertainties and their drivers in the art market
- Rank of the main factors for improving competitiveness
- Distinct trends within the research
- Scenarios – 1 & 2
- How do we prepare

Future Studies/Scenario Planning

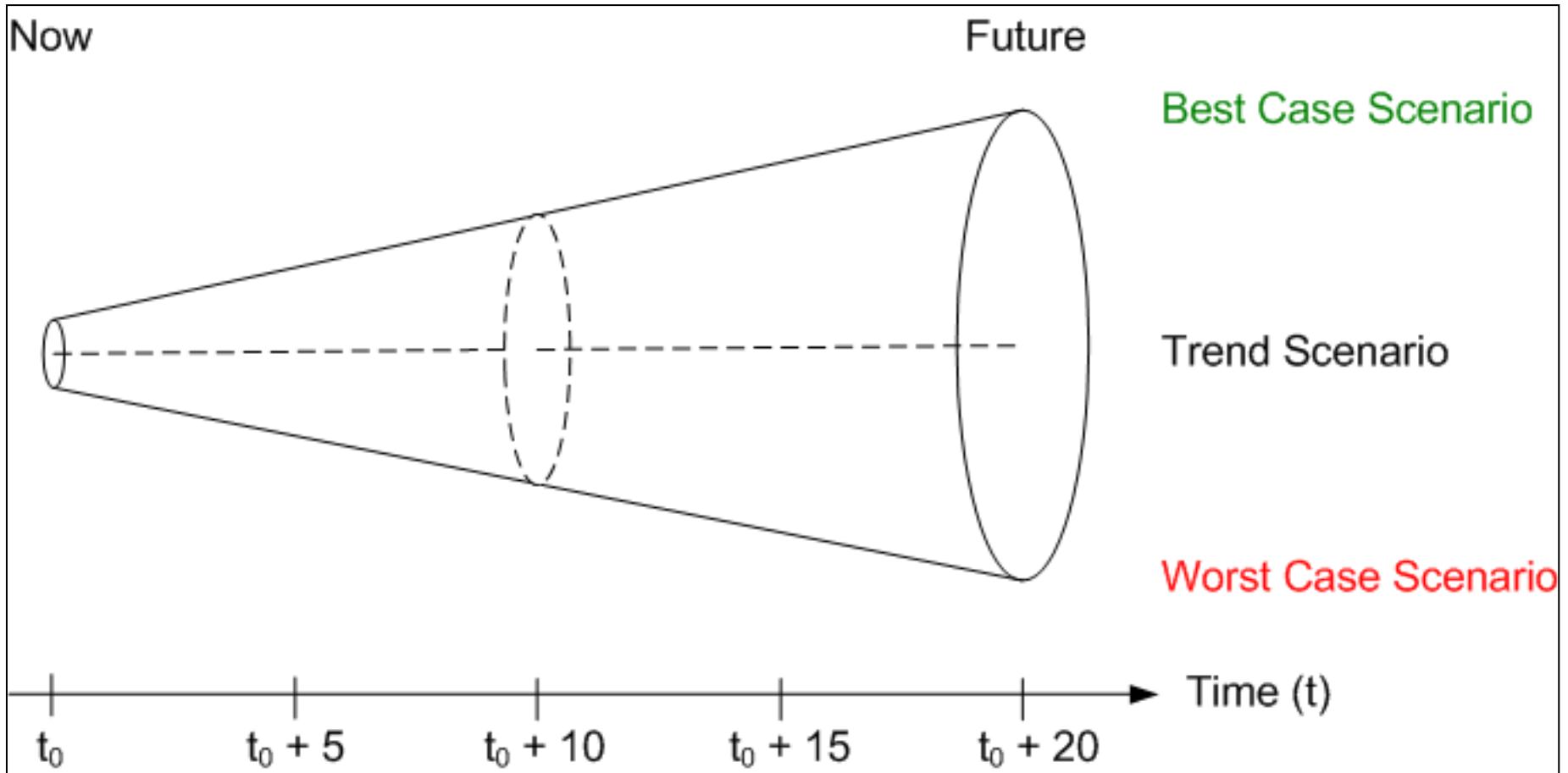
Future Studies Methodology

- Industry questions for discussion, driving forces and trends
- What do we want to know to help prepare us for the future? In which direction do we want to go?
- What are the key factors influencing that decision? What are the main threats and opportunities to the industry? What are the external and internal driving forces?
- Which factors are certain or necessary and which uncertain or a matter of choice? What are the major trends and breaks in those trends?

Future Studies Methodology (2)

- Ranking of key factors and driving forces to create 2-3 scenarios – indicating their origin, evolution and measurement
- What are the most important and uncertain factors helpful to this discussion or decision? How do the 2-3 scenarios logically evolve using the key factors and trends (possibly shown on a matrix)?
- How do we get from here to there? What or who (a trigger) might bring this about?
- What are the limitations and vulnerabilities of the scenarios? What indicators demonstrate the evolution of each scenario?

Future studies



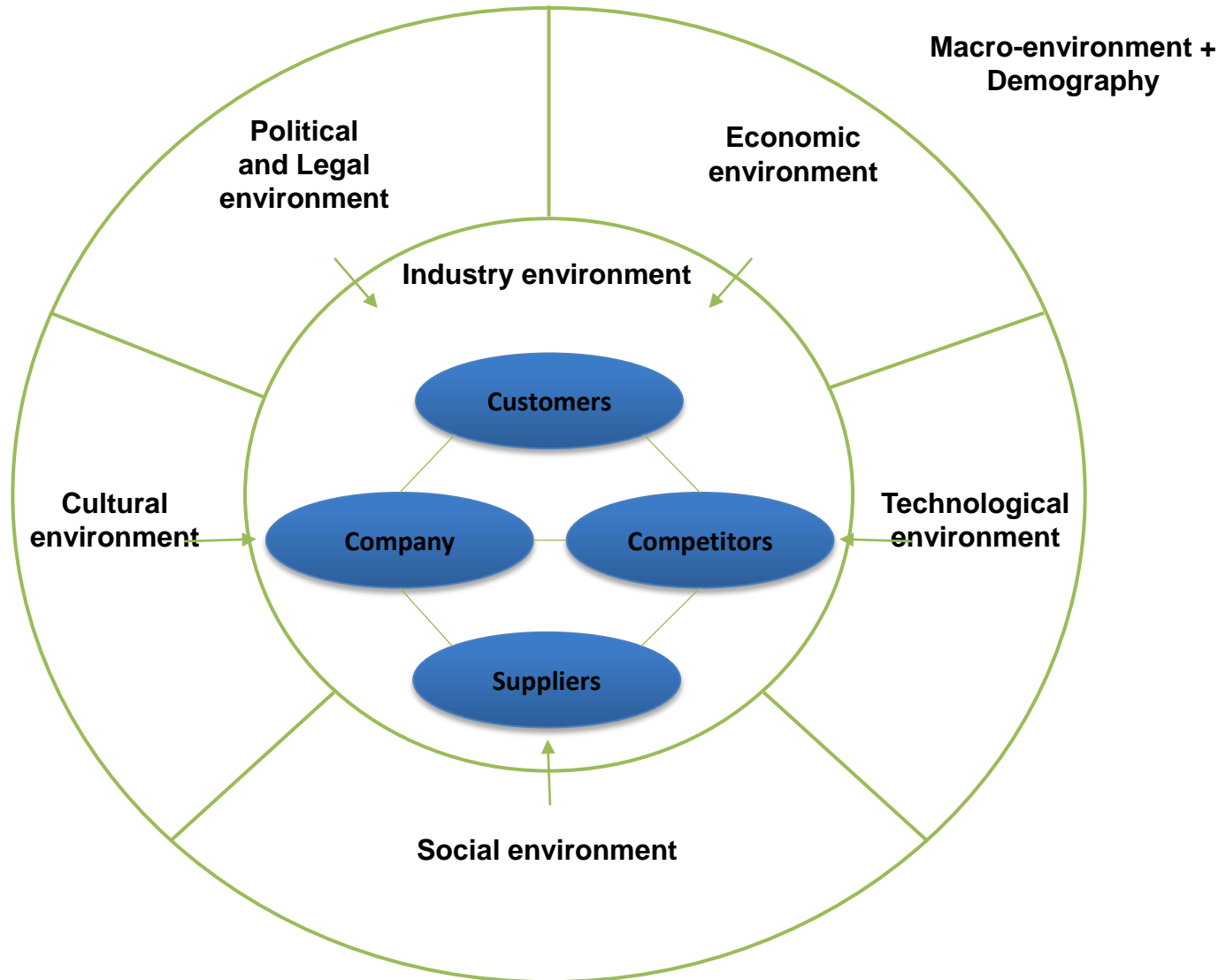
What do we need and want to know?

- What might be the future direction of the art market? (strategy)
- How might the art trade develop based on those assumptions? (operation and marketing)
- What is our time horizon – 2050?

ENVIRONMENTAL ANALYSIS

- Demography
- Economics
- Technology
- Politics/Law
- Society
- Culture

External Forces (PESTCD)



Business Analysis

Competition Model

source: Porter, 1985

Porter's Five Forces Model of Competition

Threat of New Entrants

Barriers to entry

- Economies of scale
- Product differentiation
- Capital requirements
- Switching cost to buyers
- Access to distribution channels
- Other cost advantages
- Government policies

Incumbants' defense of market share
Industry growth rate



Determinants of Supplier Power

Supplier concentration
Availability of substitute inputs
Importance of suppliers' input to buyer
Suppliers' product differentiation
Importance of industry to suppliers
Buyers' switching cost to other input
Suppliers' threat of forward integration
Buyers' threat of backward integration



Rivalry Among Existing Firms

Number of competitors (concentration)
Relative size of competitors (balance)
Industry growth rate
Fixed costs vs. variable costs
Product differentiation
Capacity augmented in large increments
Buyers' switching costs
Diversity of competitors
Exit barriers
Strategic stakes



Determinants of Buyer Power

Number of buyers relative to sellers
Product differentiation
Switching costs to use other product
Buyers' profit margins
Buyers' use of multiple sources
Buyers' threat of backward integration
Sellers' threat of forward integration
Importance of product to the buyer
Buyers' volume

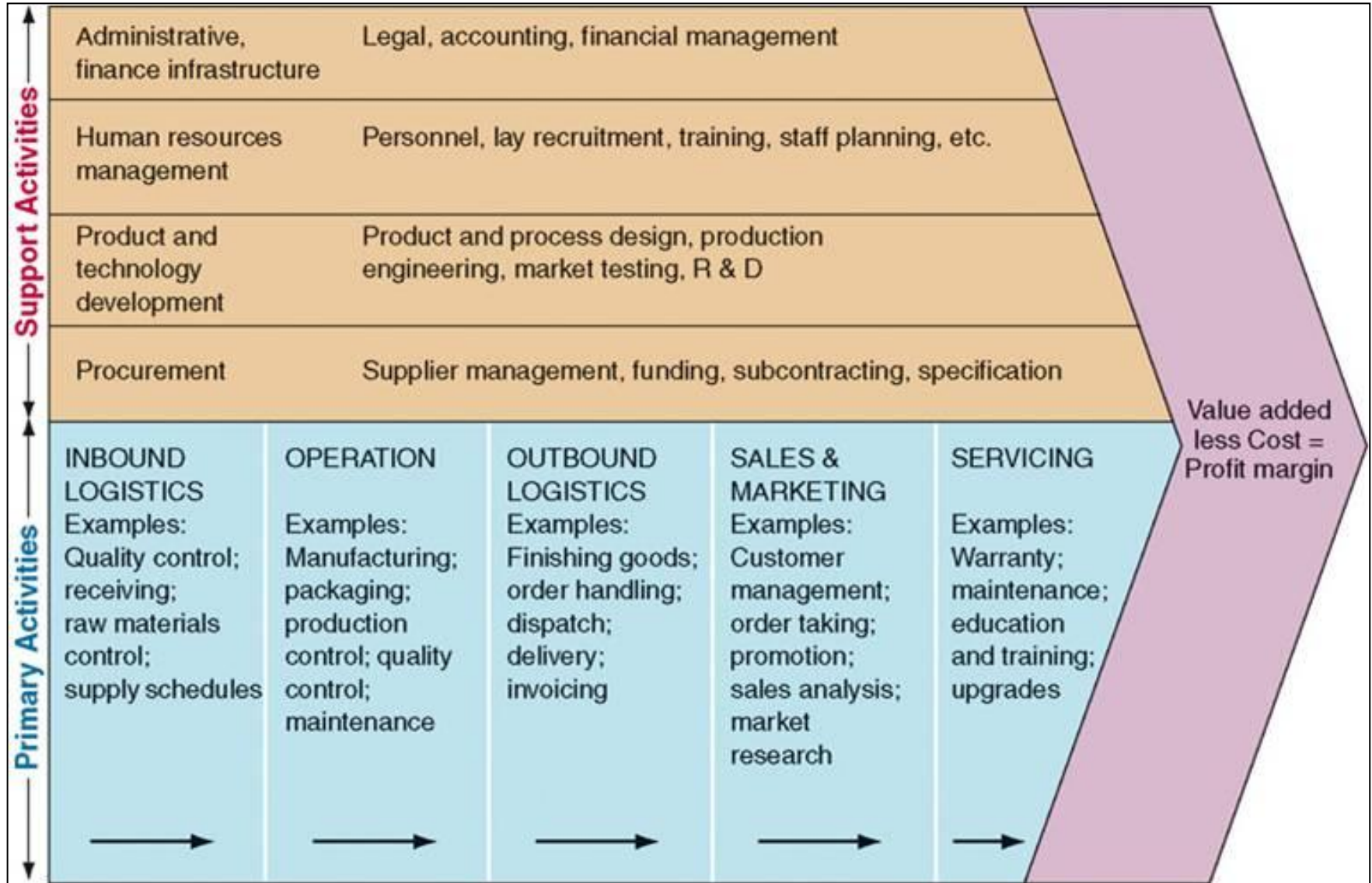


Threat of Substitute Products

Relative price of substitute
Relative quality of substitute
Switching costs to buyers

Value chain model

source: Porter 1985



Key Uncertainties & Trends

Art Market Scenarios

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