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About the Institute for Competitive Intelligence (ICI) GmbH, Butzbach

The Institute for Competitive Intelligence GmbH, a private independent organization, was founded in 2004 to provide professionals with elite, yet flexible competitive / market intelligence education. Besides our open workshops and certificate programs, we offer in-house training adjusted to company needs. Our yearly international conference offers a platform for exchanging up-to-date knowledge and practical case-studies in competitive / market intelligence.

About the University of Applied Sciences in Koblenz

The university offers over 70 different classes (mathematical, technical, economic, art, social studies), from which students can choose and combine to create a custom degree program. They can choose from different bachelor or master studies as a full-time study program, a dual study program or as distance learning. Currently 70 bachelor/master programs are being offered to over 9.000 students.

Study programs at the Koblenz university focus strongly on the practical side of the subject. During their study, students work together in research and practical projects and are given the opportunity to create contacts in the job market.

INVESTMENT DECISION-MAKING ON THE ART MARKET: PROBLEMS AND PERSPECTIVES

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The Global Art Market is achieved total sales of 67.4 billion U.S. dollars in 2018, up 6% year-on-year and ranked the third place in the world. In accordance with the indexes for tracking art market performance the returns on investments in art are just as attractive if not better than the stock market (S&P500 was down last year, but 10-year average annual return has been better than 11%). This quantitative view point excludes less-measurable benefits, such as the pleasure one derives from experiencing art in one's home or office, or the delight for some people that can result from conspicuous consumption.

In such condition it is vitally important to study the art market from an investment point of view and consider art within the same risk-versus-reward framework as any other investment opportunity.

Capital allocation in artwork is driven by rational or irrational motives. Rational art investment motives drive investors to invest on the basis of reason, judgment, or logic. Examples of common rational art-investment motives include: increased return on art investments, positive dynamic of art-market indices, low return on alternative

investment, increased economic value of the artwork, and necessity of portfolio diversification.

In general, rational art investment decisions require in-depth research, information and more extensive knowledge. Consequently, art advisory services have developed, which offer a holistic approach to art wealth management including range from specialized advice to full services that include initial research, transaction facilitation, valuations, inheritance and philanthropic planning, and lending.

Less-rational motives drive investors to make art investments based on their feelings, emotions, or impulses. Examples of common emotional art investing motives are: social prestige, status, aesthetic pleasure, social network, pride, expressions of love or sentiment, entertainment, pleasure, social approval, influence, power, and wealth.

In principle, collector-demand originates with four general types of markets: private collectors, businesses, public institutions, and non-governmental cultural institutions.

In accordance with year's survey, a large majority (86 percent) of art professionals said that their clients buy art and collectibles for emotional reasons (passionate about collecting), but also focus on investment value.

Moreover, art investment is attractive because of the following advantages:

- Art is a physical asset (people like to invest in something they can see or touch),
 - Investors control the asset, including the management, care, and storage,
 - Enjoyment value (art object is an asset that can be displayed and appreciated),
 - Art appreciates over time (works of art usually appreciate over time),
 - Uniqueness of legitimate art products and limited supply of works, and
 - Limited market fluctuations.
- In contrast, art investments include the following disadvantages:
- Barriers to entry and competitive pressure due to high fixed costs, including finding and commissioning of artists, advertising, insurance, and distribution,
 - Illiquidity.
 - Art investment may involve operating expenses that are not experienced with other investments. Care of art can be difficult, and art may require expenses related to storage, insurance, transportation, and other associated costs.
 - As with any investment, not all artwork earns a positive rate of return.

Investment decision-making on the art market has led economists to study (a) what can be said about the factors that determine values, (b) whether the returns obtained on art investments outperform those of financial markets, and (c) why tastes change. None of these issues has been given a definitive answer.