



TRENDS OF THE ART MATERIALS MARKET

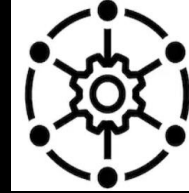
Today's presentation



Market
performance



Consumer
spending and
purchase trends



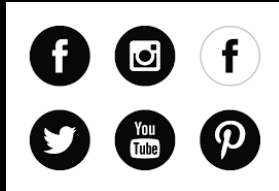
Channel and
quality trends



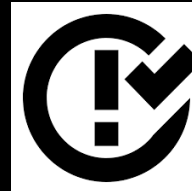
Brand loyalty
among artists



Online vs Instore
spend



Role of Digital &
social media
among artists



Artists preferences
and issues



Macro trends
affecting our
industry

How are the North American and European art materials market performing?



Market
performance

Consumer
spending and
purchase trends

Channel and
quality trends

Brand loyalty
among artists

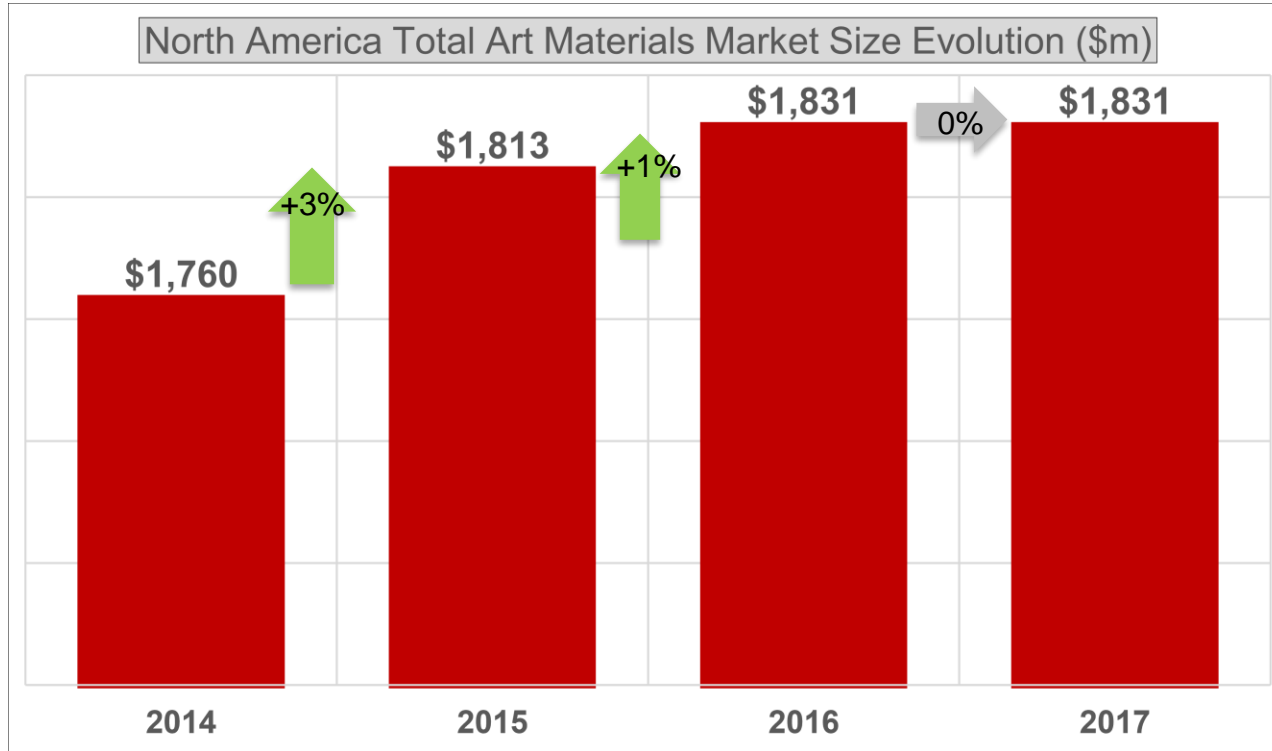
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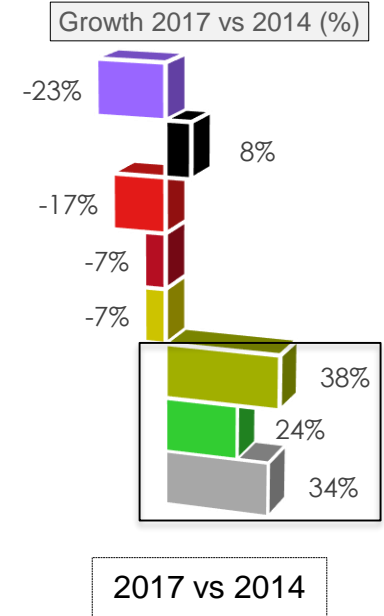
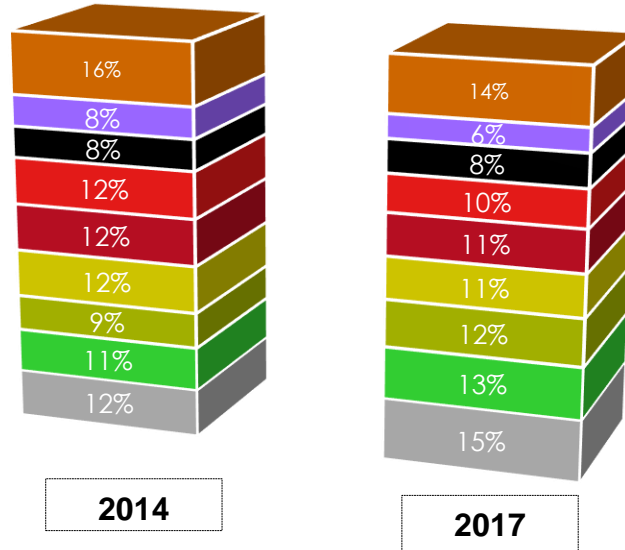
The North American market has grown an estimated **4%** (~\$71m) **between 2014 – 2017** and is worth an estimated **\$1.83bn** per annum.



Drawing materials, Paper and Brushes are the three largest product categories by size in North America, all showing growth.

Value Share (%) by Product Category – North America 2017 vs 2014

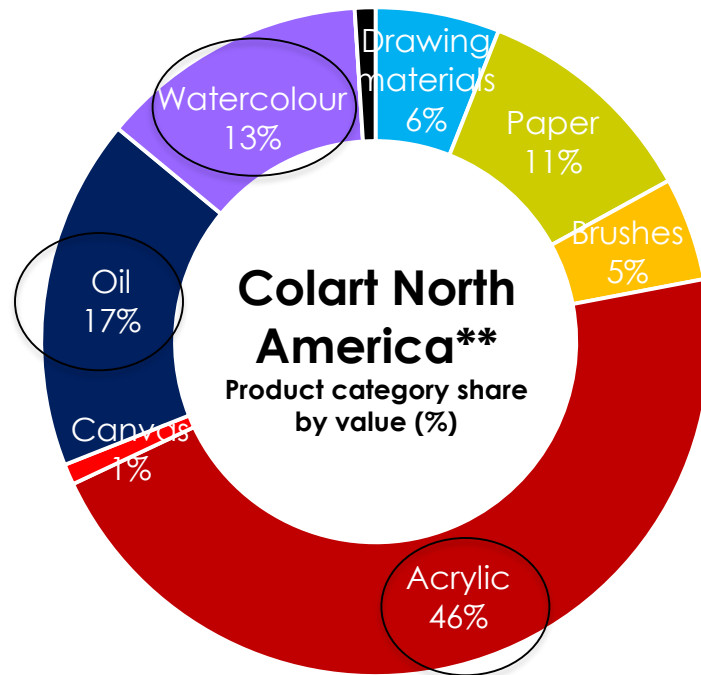
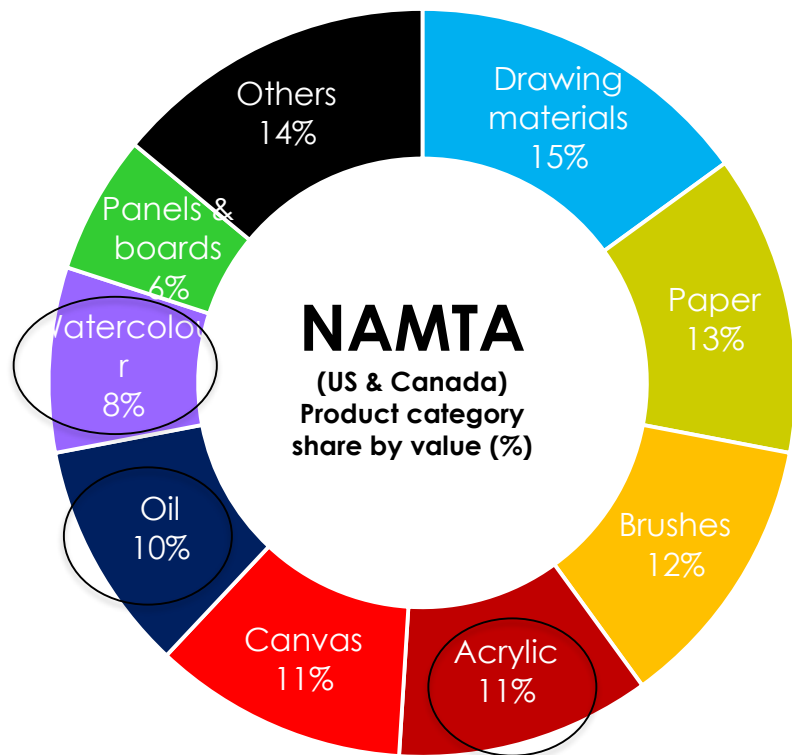
- Others **
- Panels & boards
- Watercolour
- Oil
- Canvas
- Acrylic
- Brushes
- Paper
- Drawing materials *



*Drawing materials is aggregation of Markers, Pencils, Inks, Pens, Pastels and Charcoal categories.

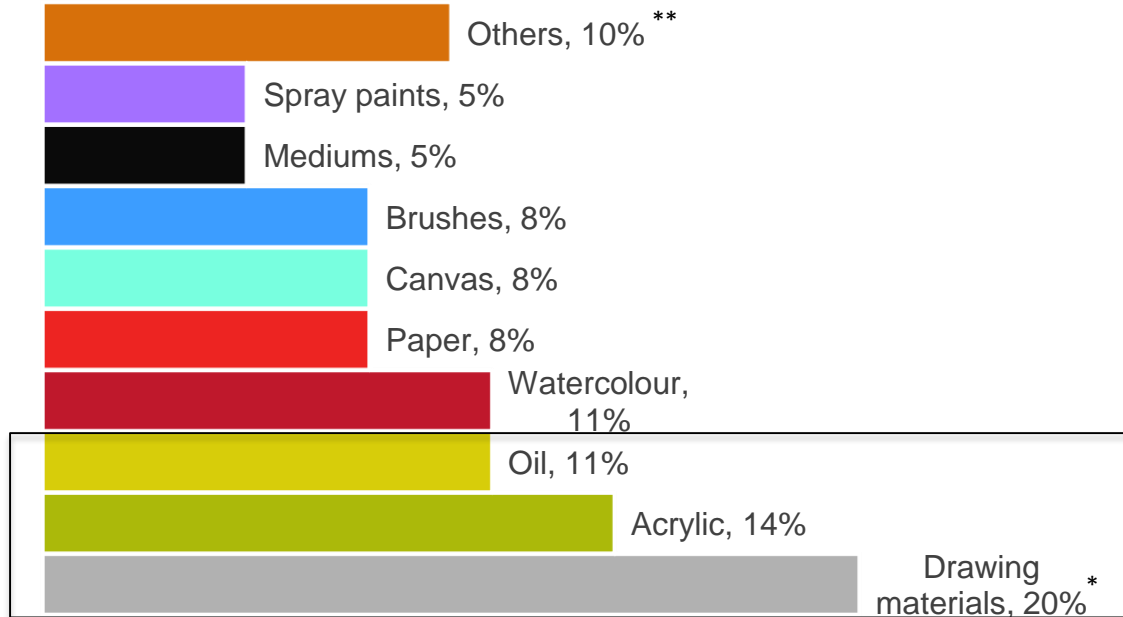
** Others = Sculpting/Ceramics, Spray paints, Portfolios & Storage, Furniture & easels and Art Books/content

Our North American sales **over index** across **Acrylic, Oil & Watercolour** and **under index** across **other categories** vs the market



Drawing materials is also the largest product category in Europe, followed by Acrylic, Oil and Watercolour.

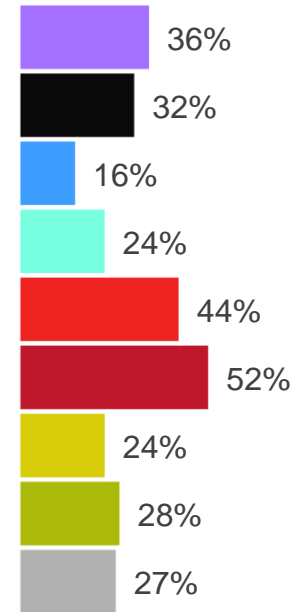
Value Share (%) of Product Category – Europe 2018



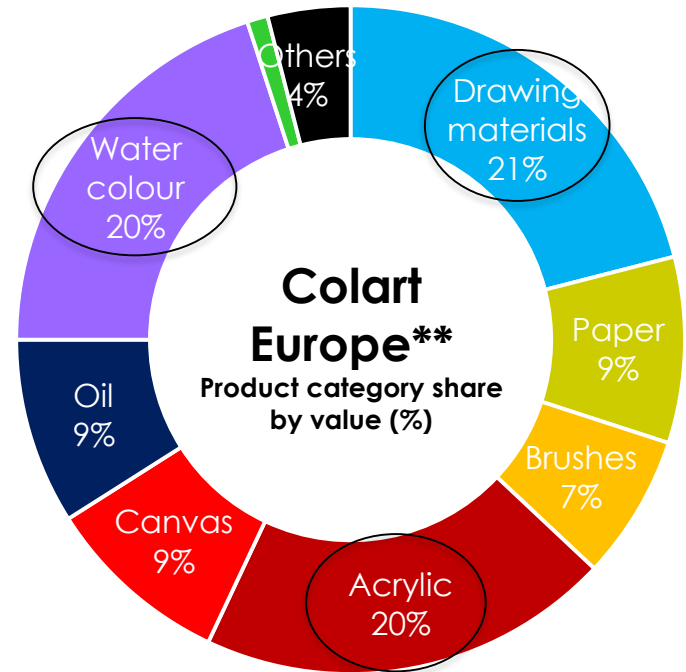
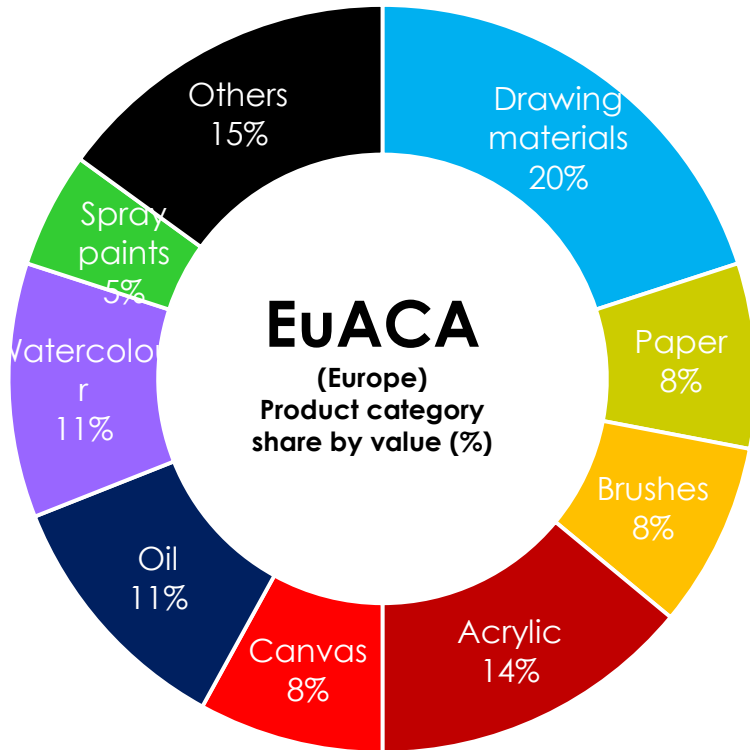
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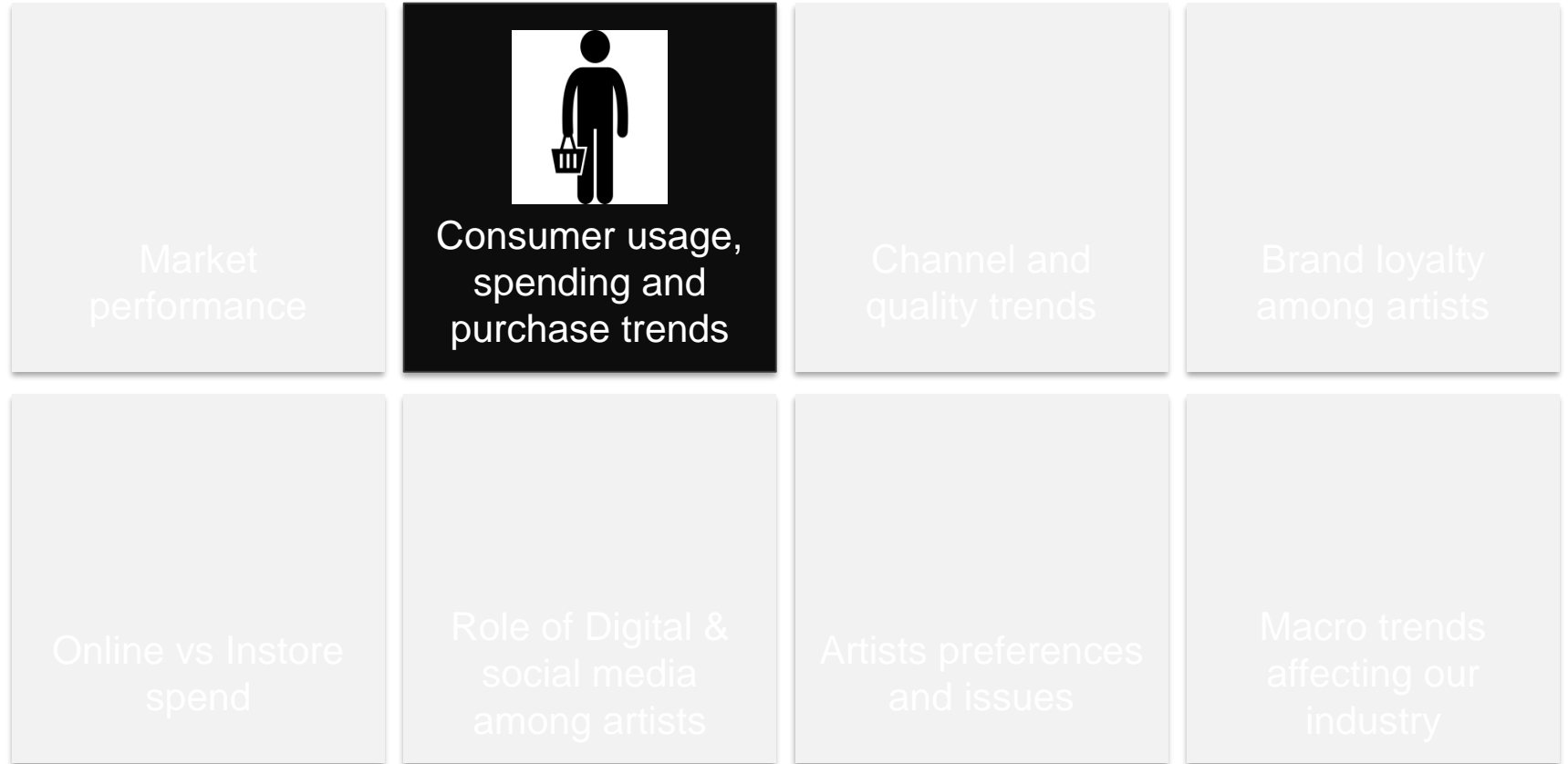
2018 vs 2017
% of retailers reporting sales growth



Our European sales are more evenly split compared to the market, with **Drawing materials, Acrylic and Watercolour ~ 2/3rd of our sales**



How much do consumers spend on art materials and how does this vary?



Consumer spending has risen across art materials in North America and Europe, driven by some common factors in both regions

North American artist spending – 2017 vs 2014

More, 48%

Same, 36%

Less, 17%

European artist spending – 2018 vs 2017

More, 30%

Same, 53%

Less, 17%

1

Bought more/tried new things

1

Bought more/tried new things

2

Produced more art

2

Spent more time doing art

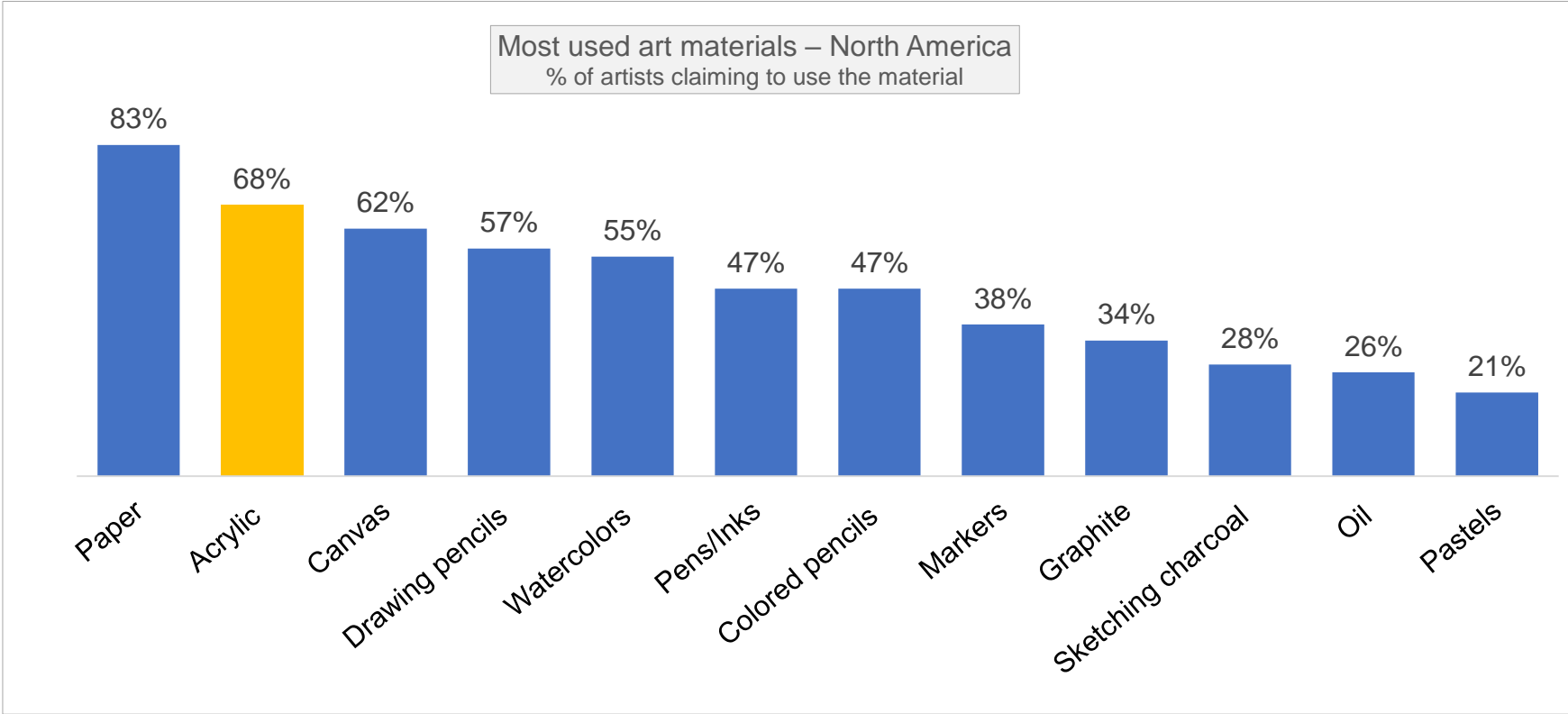
3

Just started/re-started art

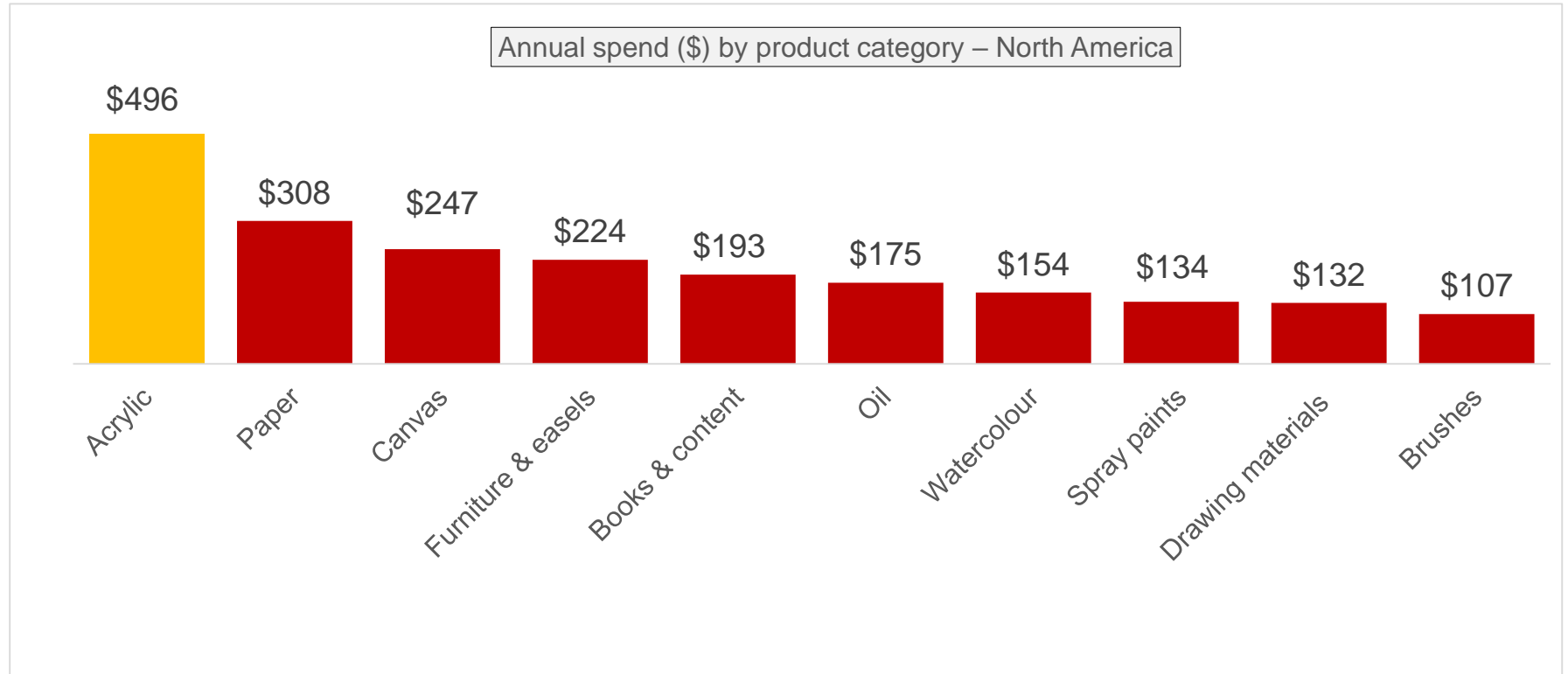
3

Produced more art

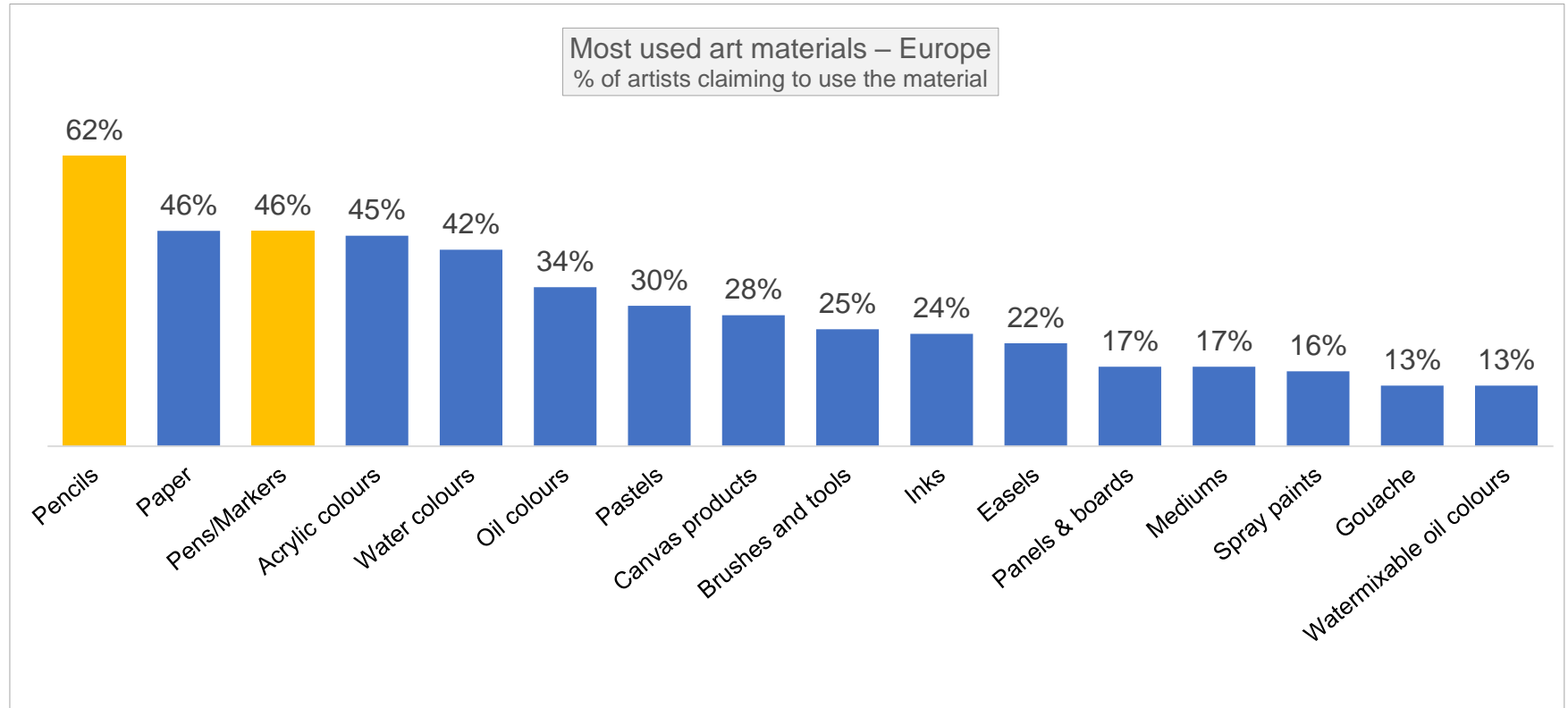
Acrylic paint is the 2nd most used material after Paper in North America, a key trend responsible for Liquitex's success in the region



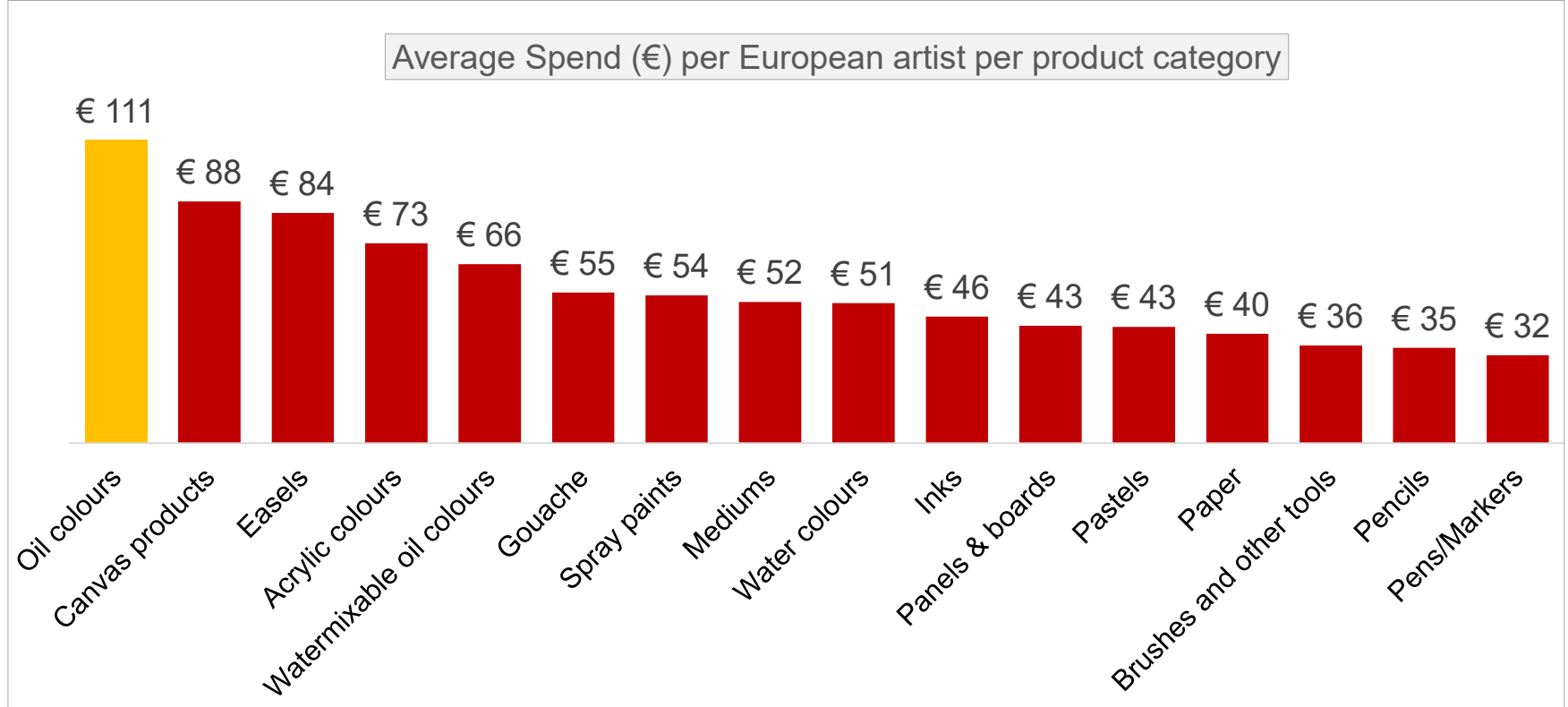
Synonymous with its high usage, **Acrylic** also **attracts the highest spend per artist** vs other categories



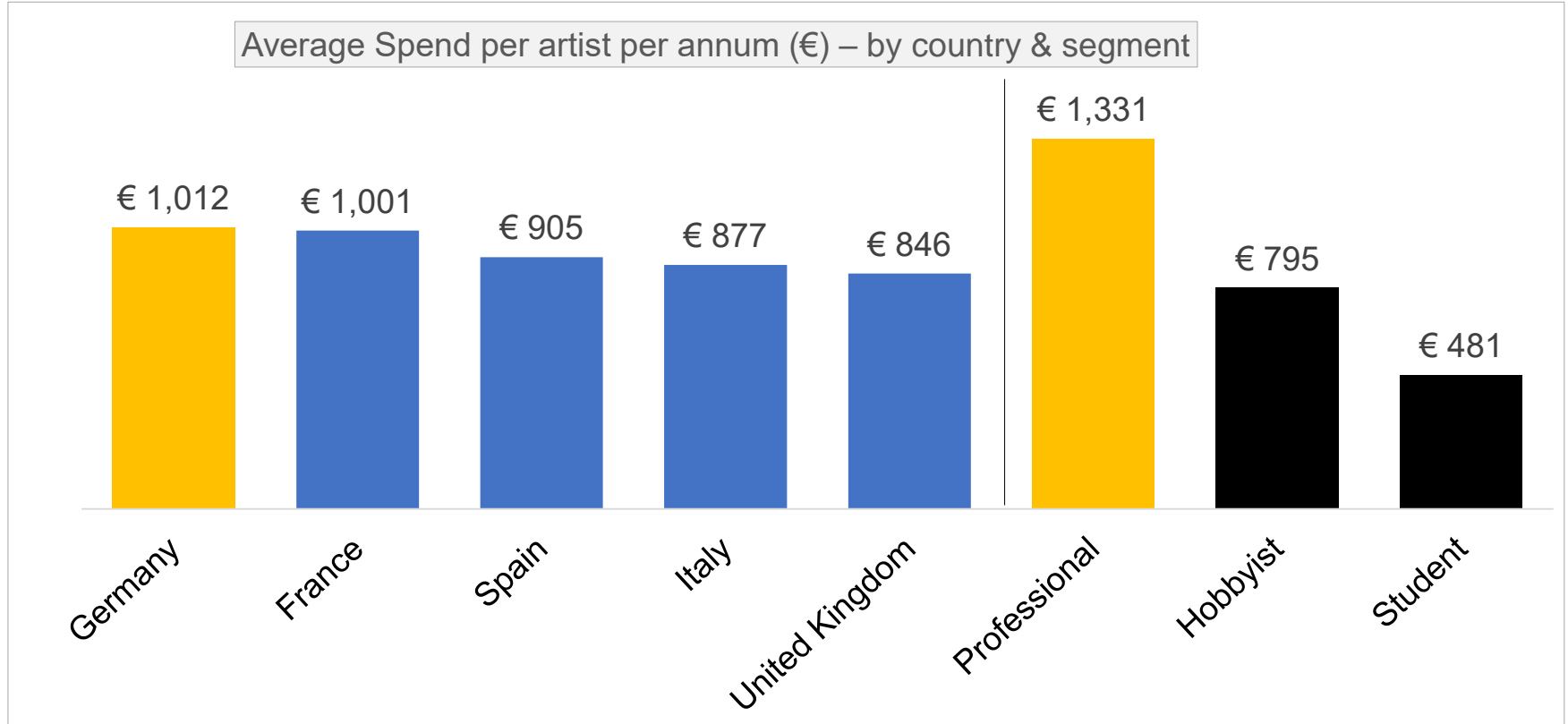
Pencils and Markers are among the top most used materials in Europe, contributing to the category's highest representation vs other products



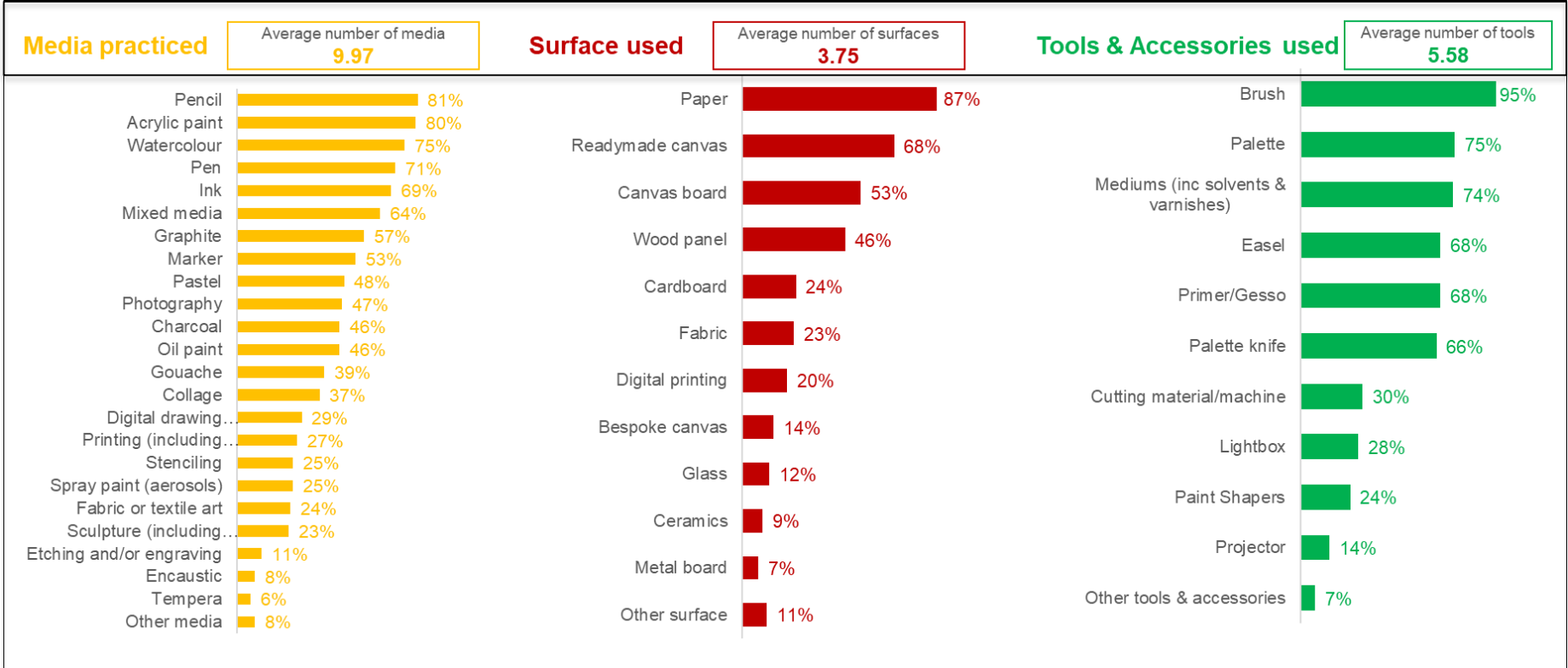
Despite Acrylic being the most used wet colour, **Oil attracts the highest spend per artist** in Europe



German & French artists are the highest spending in Europe; Professionals being the highest spending consumer type



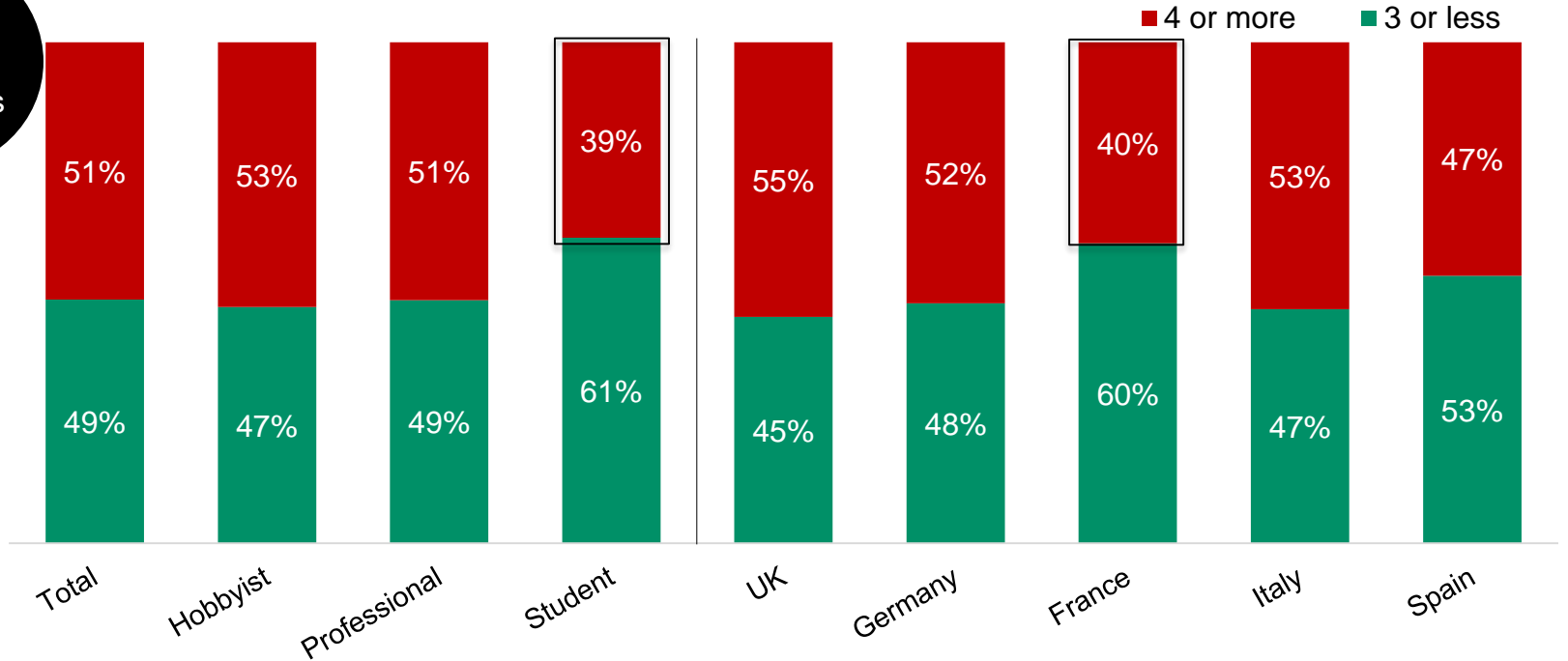
An average artist uses almost 10 paint media, 4 surfaces and 5 tools in their art work practice



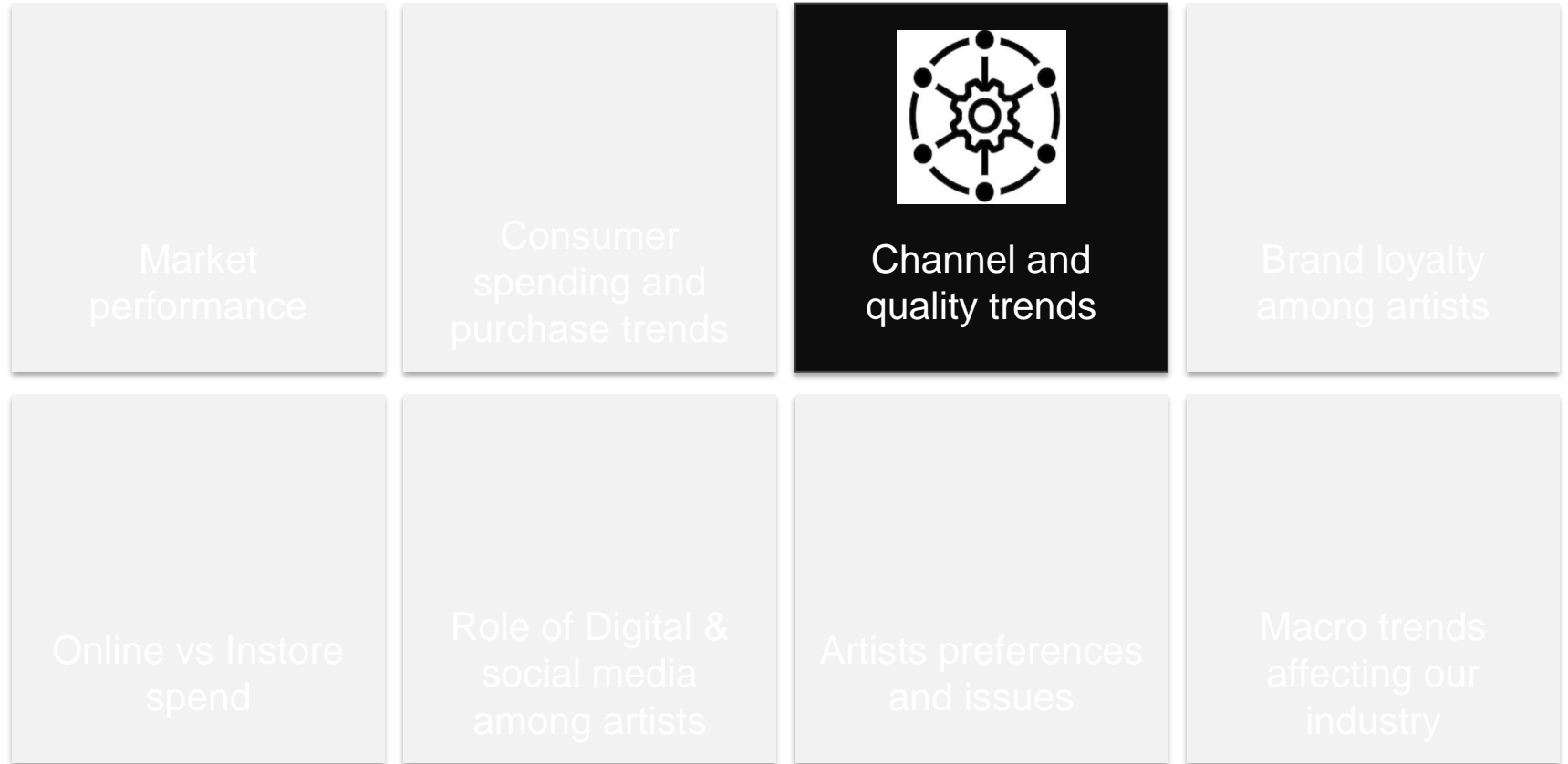
Average purchase frequency is once per quarter, with 1 in 2 artists purchasing more often

Average purchase frequency is 4.2 times per year

Frequency of purchasing art materials - Europe

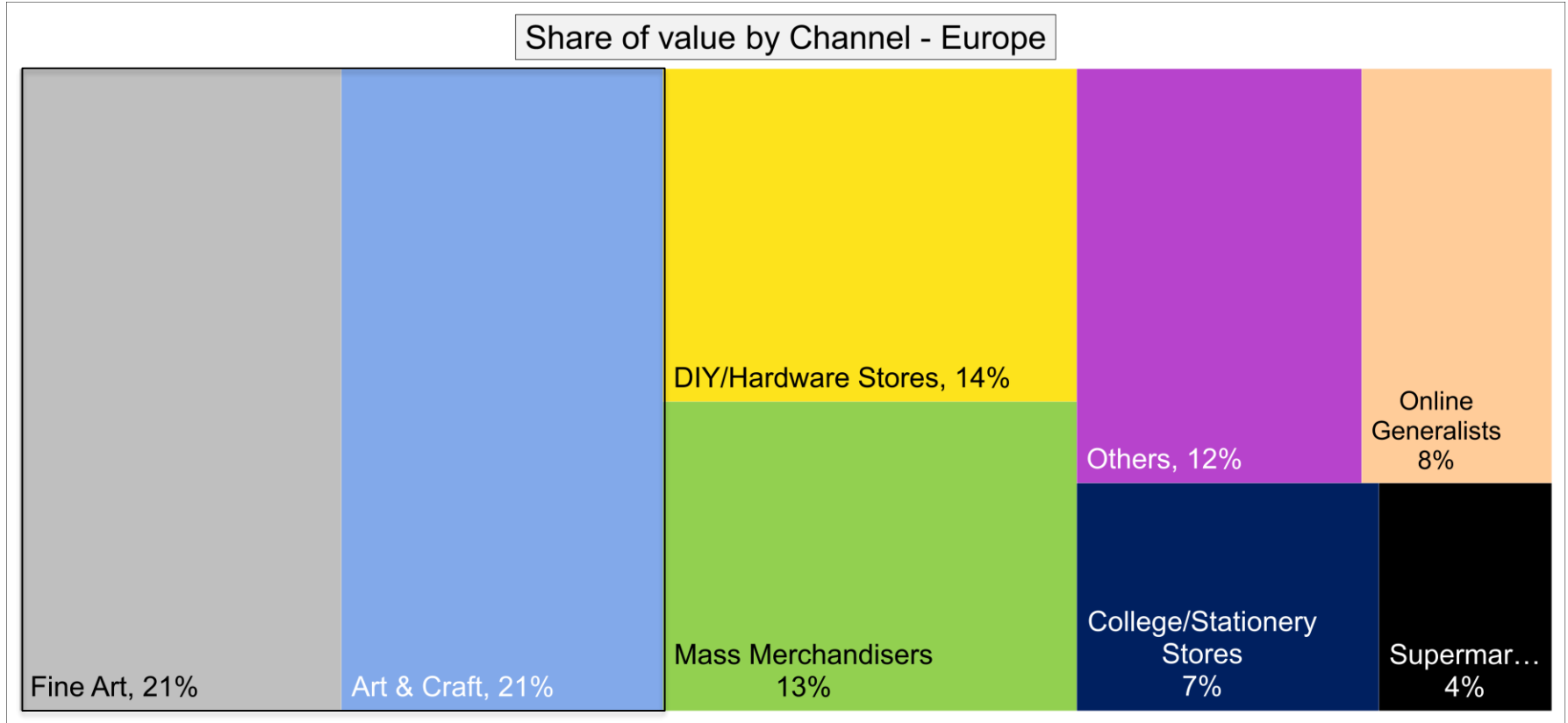


What channels and material quality attracts the highest consumer spend?

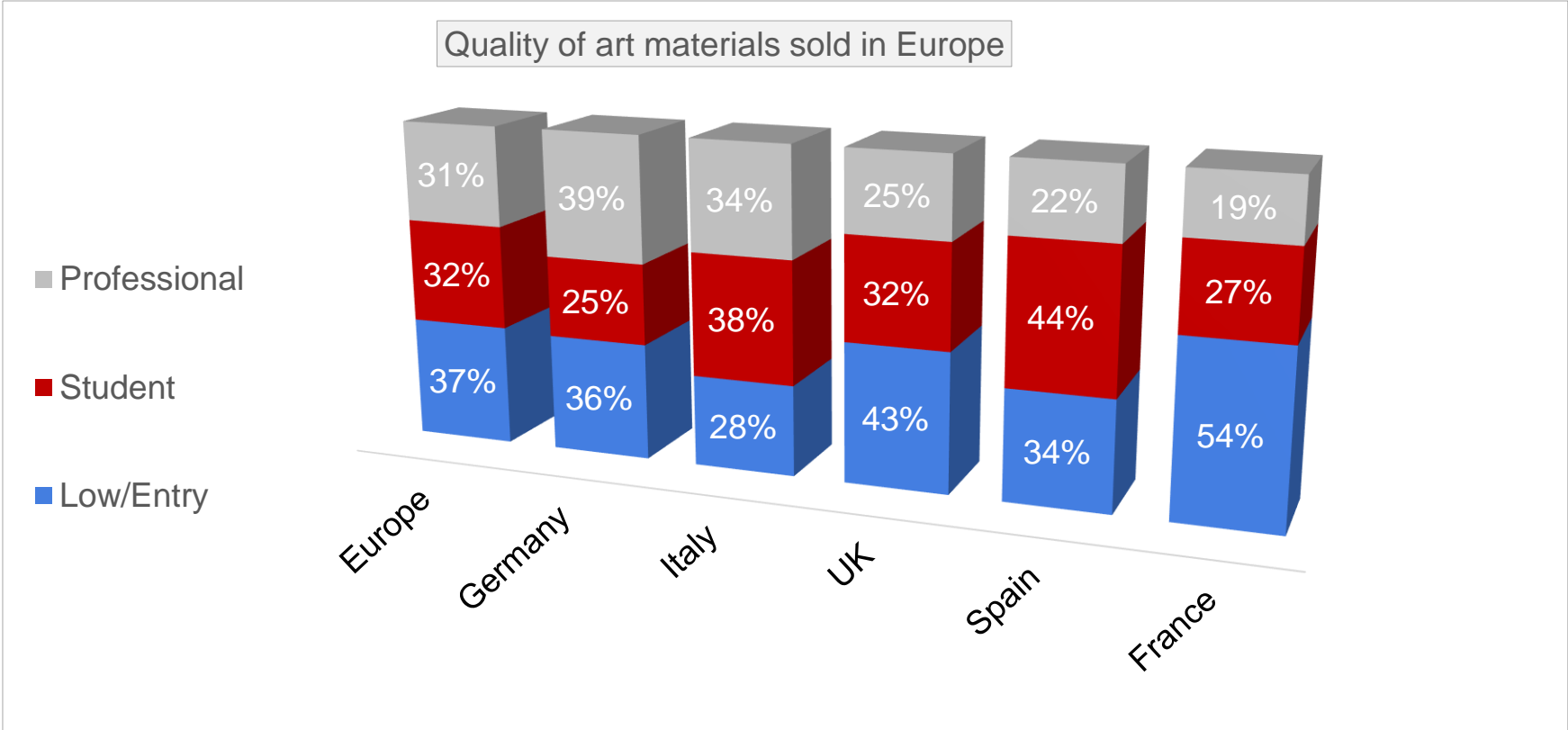


Fine Art and Art & Craft are the leading sales channels in Europe.

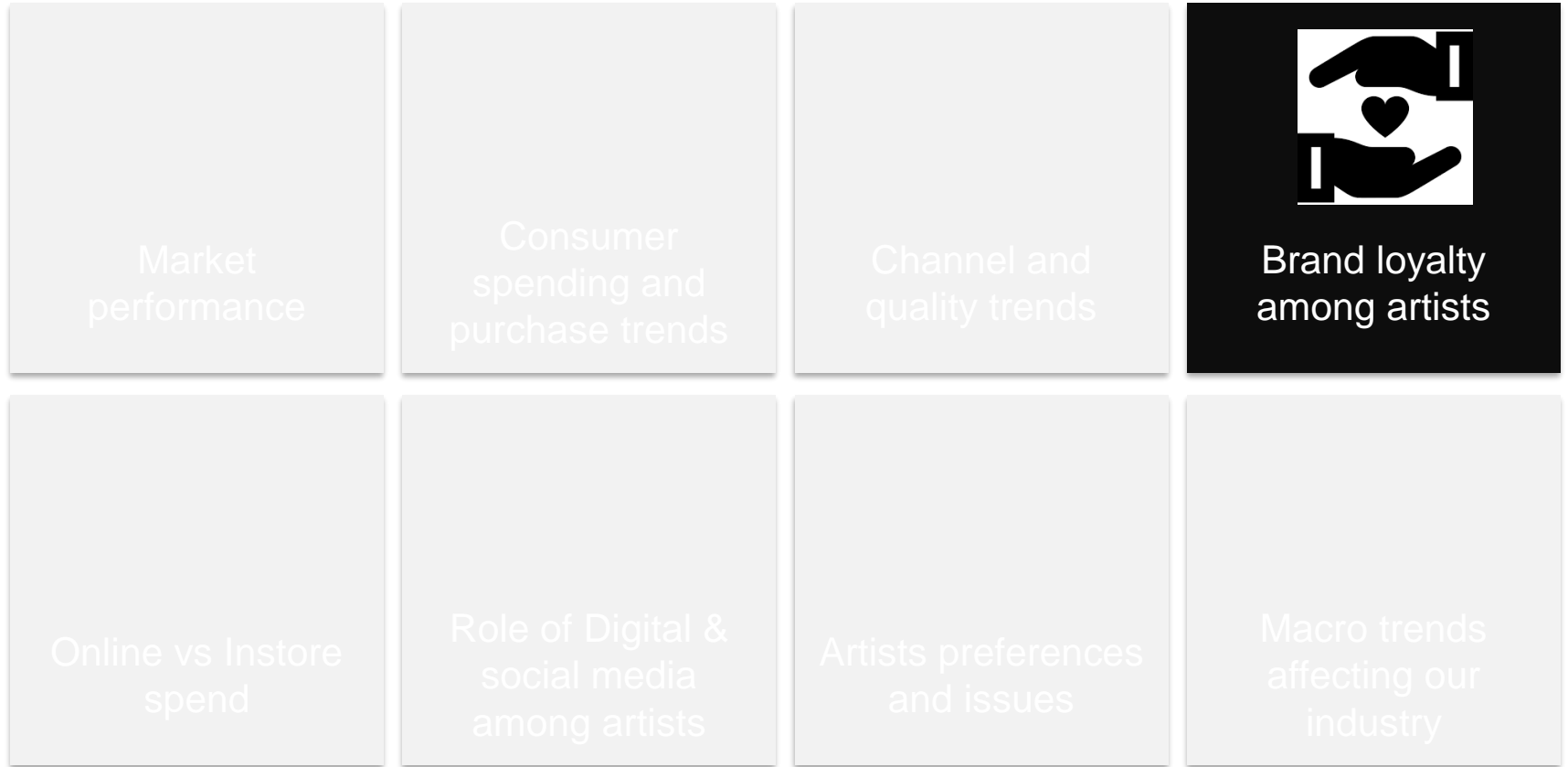
Share of value by Channel - Europe



Professional and Student grade materials sales vary with some strong regional variations in Europe



How brand loyal are artists to their favourite brands?



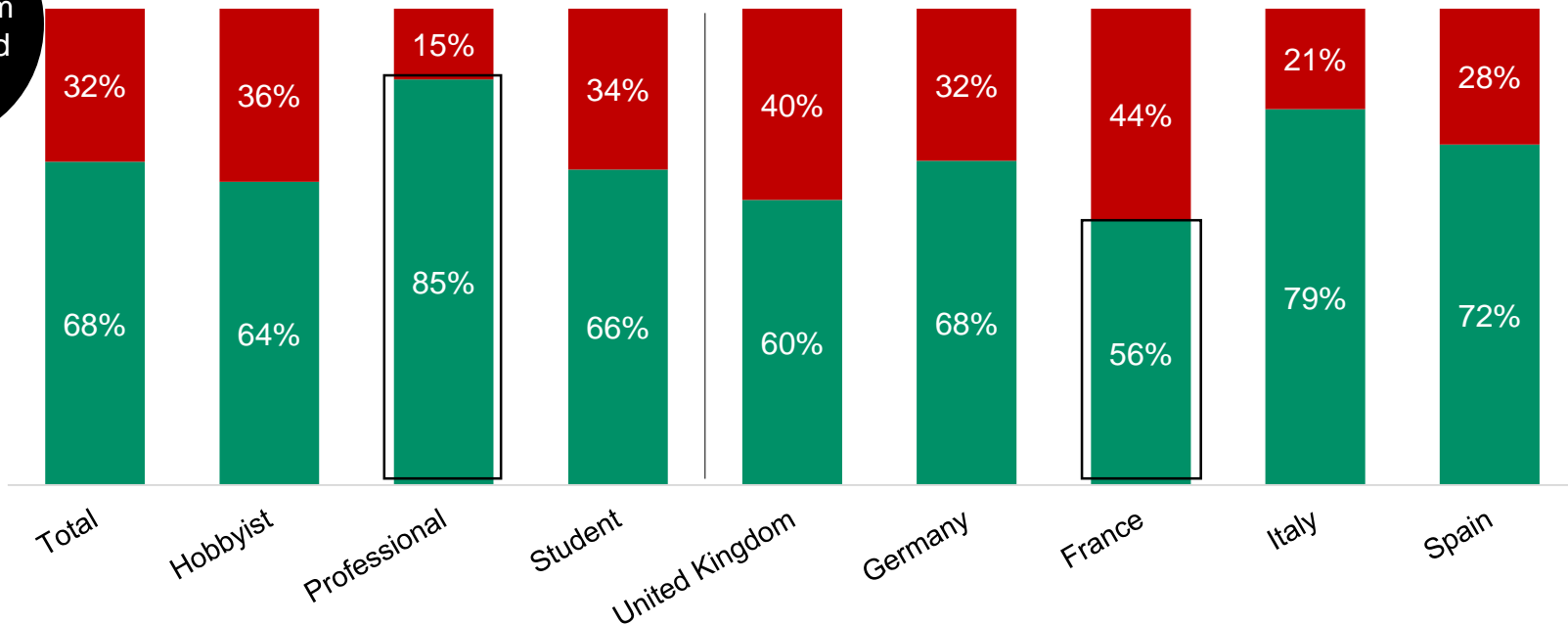
2 of 3 artists consider themselves **brand loyal**. Across Europe, loyalty is **lowest** in **France**, and **highest** among **Professionals**.

2 out of 3 artists claim to be brand loyal.

Do you consider yourself brand loyal to artists colour brands?

■ Not brand loyal

■ Brand loyal / Mostly buy the same brand



How much share of artists spend on art materials does Online account for?

Market
performance

Consumer
spending and
purchase trends

Channel and
quality trends

Brand loyalty
among artists



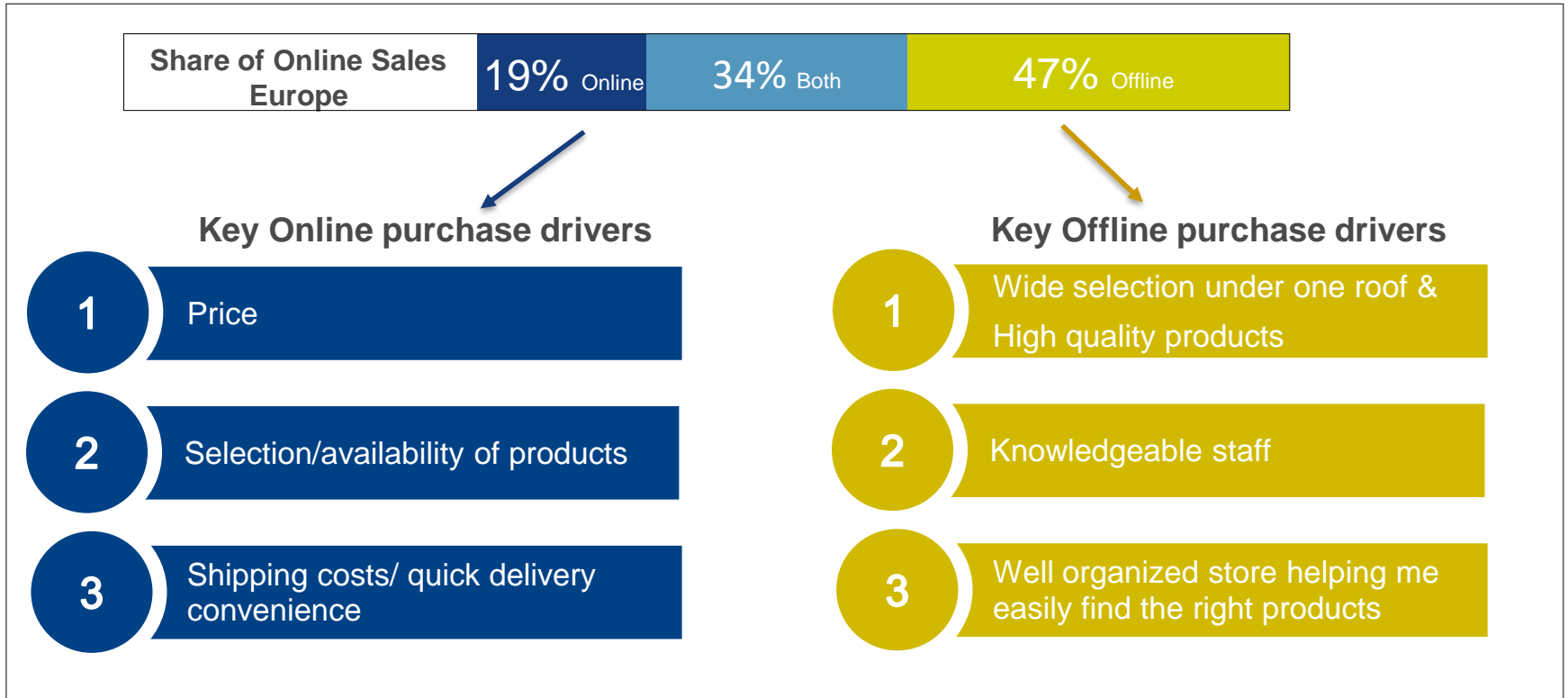
Online vs Instore
spend

Role of Digital &
social media
among artists

Artists preferences
and issues

Macro trends
affecting our
industry

Stores still play a huge role in our sector for attracting consumer spend, with pure online sales ~ 20%



What impact do Digital and social media tools have on artists?



Almost 9 out of 10 artists use online tools to learn new art skills – Inspire*

<p>Most used apps by artists</p>	
<p>Sources to help purchase decision making</p>	
<p>Favourite content from brands/retailers by artists</p>	

What are the key issues and preferences for artists across the industry?

Market
performance

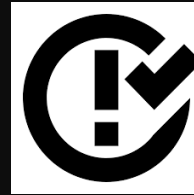
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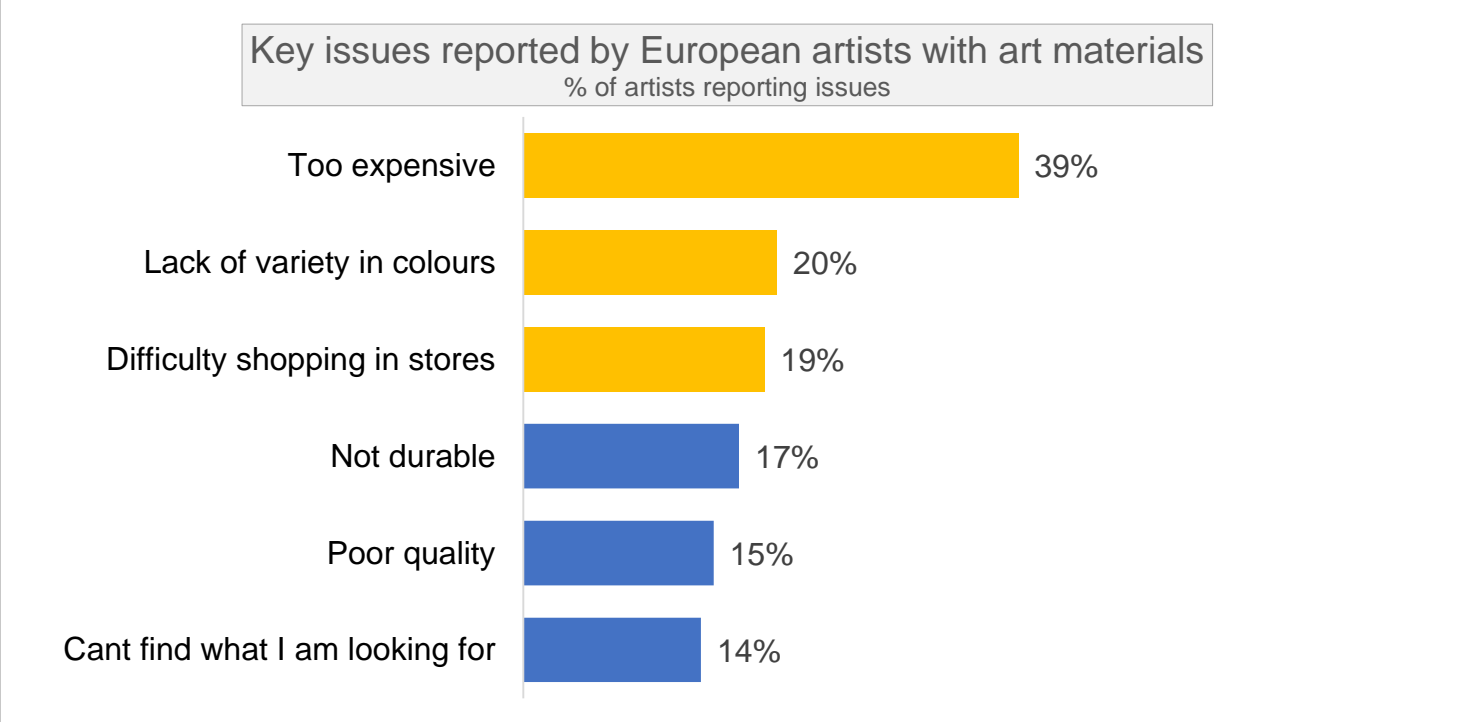
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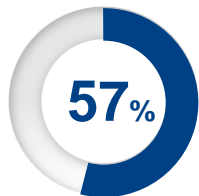
Expensiveness is the most commonly reported issue among artists, followed by lack of variety in colours and difficulty shopping in stores



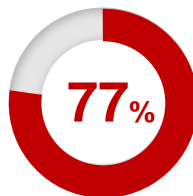
A few H&S/Packaging stats affecting artists purchase behaviour...



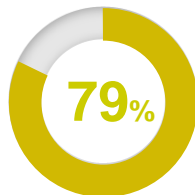
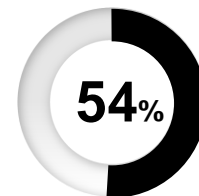
Expect all materials comply with H&S regulations



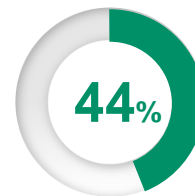
Claim H&S information affects their purchase decision



Would pay more for materials produced by an EU manufacturer



Search the label/packaging for regulatory compliance message/symbols



Check the country of origin on packaging

Switching is perceived as a positive and necessary part of an artist's pursuit of producing art.

Key drivers for switching

Experimentation – drive creativity

Subject and technique

Upgrading OR Downgrading

Recommendations/Tutorials

Increase Quality/Longevity

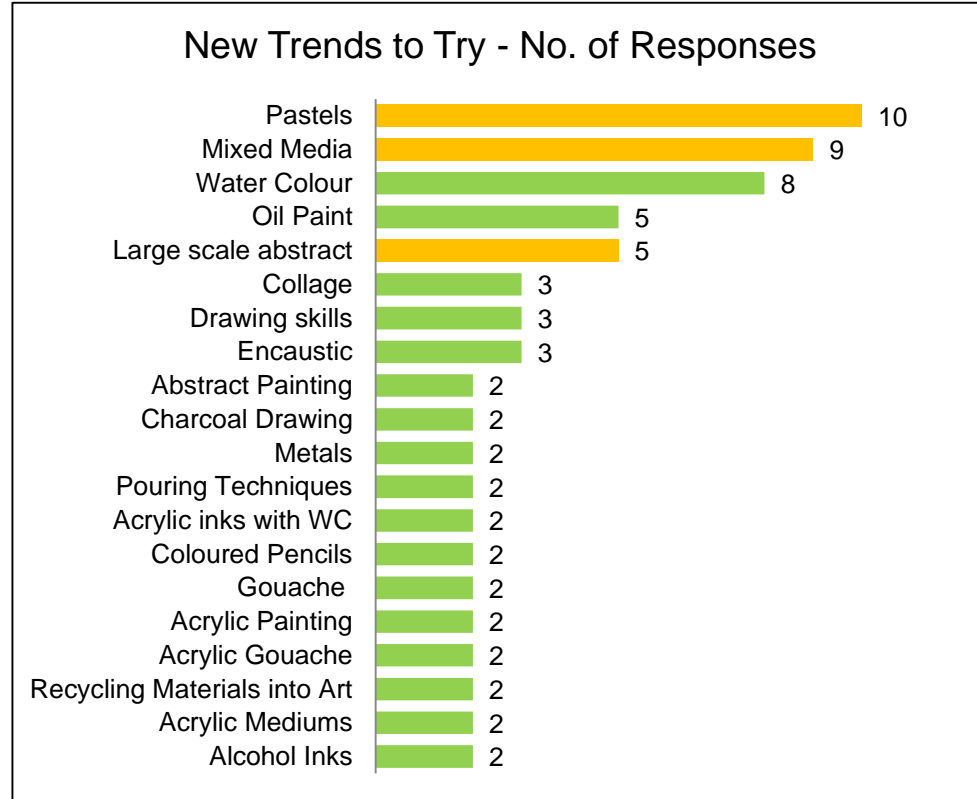


Key barriers to switching

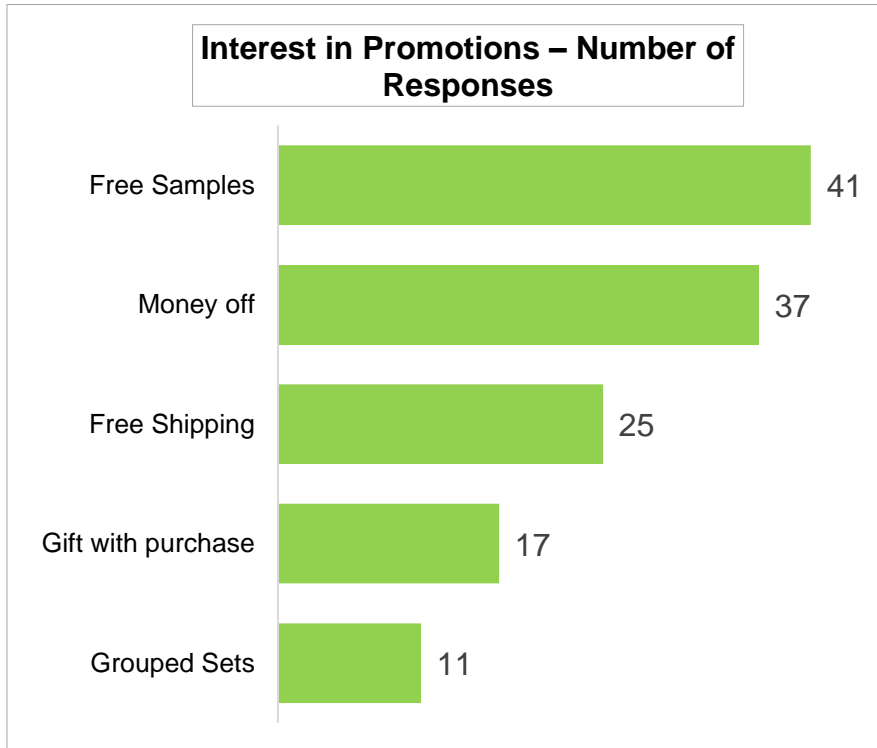


What new trends do you plan to try in your artwork this year?

- ✦ **Pastels** got the highest mentions among new trends to try.
- ✦ **Mixed media** continues to remain high in the ranking.
- ✦ **Large scale paintings** are also rising in popularity.



What kind of **Promotions** appeal most to artists?



- ✍ **Free samples**, allowing to try before purchase, reassuring the shopper of product performance & quality; especially on high value items.
- ✍ **Money-off**, clearance, 2 for 1 are all examples of promotions found appealing
- ✍ **Grouped sets**, allowing shoppers to mix and match products across multiple categories also rising in popularity. E.g. a surface, a paint/medium and a brush/tool sold as a bundle.

Macro trends and how they affect our art materials sector?

Market
performance

Consumer
spending and
purchase trends

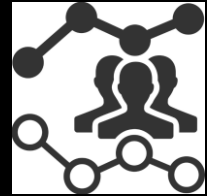
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Trends

The image features a large, golden, wavy architectural structure with a grid pattern. The structure is composed of many small, square panels that create a grid. The overall color is a warm, golden-yellow. A large, arched opening is visible in the lower right, revealing a dark interior space with a curved ceiling. Two people are standing near the base of the structure on the right, providing a sense of scale. The background is a light, golden-yellow color with some faint, thin lines.

Why Trends are important?

Shopper and product trends cascade down from Social and Economic trends, for example a country is in recession you may see a trend for “Dine in” – how to have a special Friday night without breaking the bank.

When creating these reports, we focus on trends that impact our products, shoppers, customers and retail environments, so that you can pick up nuggets of information to use with your projects and specific customers.

The following trends focus on the art material insights you have just seen and where we can utilise these insights within current trends.

Sorry if that was obvious!

Global trends

Global trends are influenced by innovation, social and economic factors. *



1

Bias & the attention economy in crisis

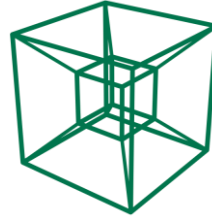
Engagement algorithms
Bot armies
Generative algorithms
Dark patterns
Inclusivity & Design bias



2

A decentralised world order

Engagement algorithms
Splinternet **
Privacy & data protection
Blockchain (Banking & Bitcoin)



3

A new 4D reality

Natural user interface
Digital Assistants
Augmented + mixed reality
Faceprints + Voiceprints
Generative algorithms



4

The unexpected march of AI

Advanced machine learning
Machine consciousness & rights
Splinternets
AI Consolidation

* The more your business knows about the social trends that affect your community and your industry, the better you'll be able to target your marketing efforts and tailor your products to fit a shifting landscape. Some social trends, such as immigration, influence the demographics of your customer base so you may be working to appeal to a different pool of neighbours than you appealed to a decade ago. Other social trends, such as almost universal reliance on smartphones, influence the behavior of potential customers, forcing you to develop tech-savvy marketing strategies. Whatever the trend, it's best to learn and adapt while also staying aware that these trends will continue to shift, making new innovations eventually outdated.

2019 Trends State of the nation

EDUCATION



- Consumers want more from stores, they want to be educated so they can make the right decisions for them.
- Better m-commerce stores, better direct-to-consumer apps and meaningful AR experiences are on the rise in 2019.

EXPERIMENTATION



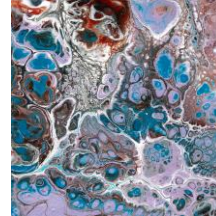
- Smart retailers know their customers better than customers know themselves.
- Shoppers increasingly comfortable leaving retail decision making to AI to find best products, prices & experiences

CRAFT / HOBBY



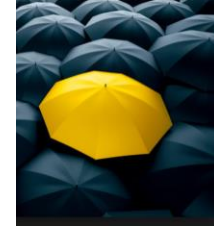
- Hobbyists and professional makers, who live much of their lives online, value unique shopping experiences.
- Create high-touch retail spaces where Shoppers can interact directly with products before purchasing.

MIXED MEDIA



- Encourage discovery and experimentation. Mixed media is a key trend and can enable link purchase sales..
- Retailers must make the leap from customer experience to intimate experience

BEING UNIQUE

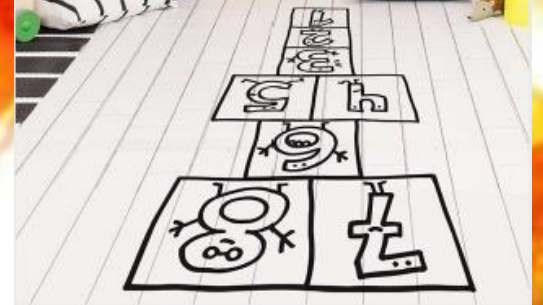


- Inclusive marketing is no longer enough. Time to reimagine everything you do around true diversity.
- Engage shoppers to create their own experience.
- Widen your messaging to engage wider demographics.

How will these trends help me?

- Create Shopper solutions in line with trends, applying elements relevant for our markets and channels.
- Approach creative process differently, push boundaries and re invent solutions to improve shopper engagement and experience.
- Engage with the unexpected, create buzz, conversation topic and foster word-of-mouth.
- Move towards a 360 holistic communication approach ensuring our brands are relevant at all touch points.

Being Unique



Shoppers are looking for unique in store experiences as well as the tools to uniquely express themselves. Inspire, then step back and let them make the decisions.

Back to the insights

The Insights

- Key increased spending driver “Trying new things” (EUACA)
- Most used products: Acrylic, Pencils (EUACA) Acrylic and Creative materials (US NAMTA)

Offering information not
telling them what to do

Personalisation

Building offers

The personal edit

Not only do consumers want to buy products and follow fashion trends, they also want the freedom to express their individuality and personality through establishing their own personal edit

Education

58% of global consumers agree they can teach themselves anything they want via online resources.

52% of global consumers want to be more knowledgeable.

Source: Foresight Factory

Consumers are thirsty for better knowledge – of themselves and the products they buy.

They can instantly find answers online.

Interaction with brands has changed with far fewer opportunities to converse with consumers in store.

A holistic 360 approach is essential.

SPRAY PAINT

Professional, lightfast paint with fine art pigments. Water based, durable and permanent. Use on a range of surfaces.

SP COLORS 2

SPRAY PAINT - LOW ODOR

Safe to use when working inside and outside. This solvent-light formula gives off far less fumes and is non-flammable.

SP COLORS 3

SPRAY PAINT - OPACITY

Professional spray paint formulated to let the pigment express itself. Choose from opaque, semi-opaque and transparent colours to achieve a range of effects.



Back to the insights

The Insights

- Retailers believe future growth will come from Acrylic paint and Water Colour paint. They believe this will be delivered through online, wider range and more in store activities (US NAMTA)

Offering information not
telling them what to do

Bundling

Social discovery

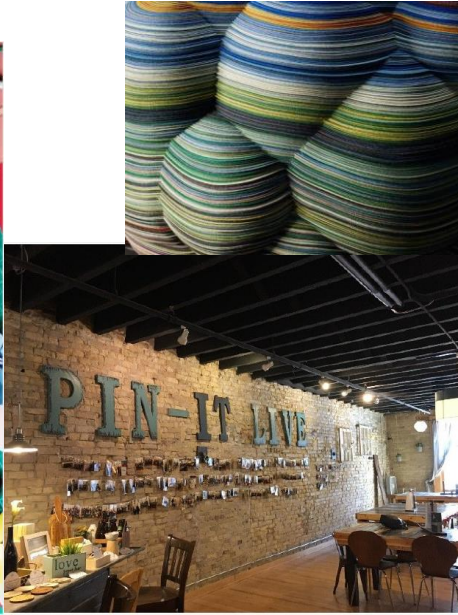
Social is the new shop window: the place that consumers browse to find ideas and inspiration. With the rise of social discovery comes the rise of the social influencer in retail

Personalisation

Clear product communications

Use-With

Hobby and Craft



Retailers can make the most of this high-touch category by building in opportunities for experience-driven consumers to interact physically with products. Eye-catching visual merchandising, and interactive displays will drive this consumer to stores.

Back to the insights

Interactive

The Insights

- Social media is of particular importance to the craft category, as platforms like Pinterest and Instagram drive trends and provide inspiration.
- An estimated 45% of crafters are involved in five or more creative hobbies, with only 16% participating exclusively in just one.

Personalisation

Upcycled

Layered

Experimentation



Alongside “Unique” and “Mixed media” runs experimentation. A need to feel free to try, explore, embrace, touch, absorb and ultimately share. This is a key trend to foster in store and bring our Shoppers and Consumers closer to the brands.

Back to the insights

Bundling

The Insights

- Key increased spending driver is “Trying New things” (EUACA)
- Retailers believe future growth will be partly driven by “More in store activities” (US NAMTA)
- On average materials are bought 4.2 times a year (EUACA)

Creative
communities

Sharing work

Range assortment
and placement

Methods and play

Mixed Media



Consumers are increasingly experimenting with combining medias. .
We can support this continued trend through in store inspiration, cross selling and in store demonstrations.

Back to the insights

The Insights

- Most preferred content is “How to video’s” and “Product Demo’s” (EUACA)
- Acrylic paint continues to be the number one with traditional fluid and heavy body paints being the most popular,
- Paint pens, daubers, and sprays are increasing in popularity as well.

A diverse range, cross
merchandised

Education – In store
and on line

Product Bundling

Encourage
experimentation

Back to the insights

Ensure clear sustainability stories

The Insights

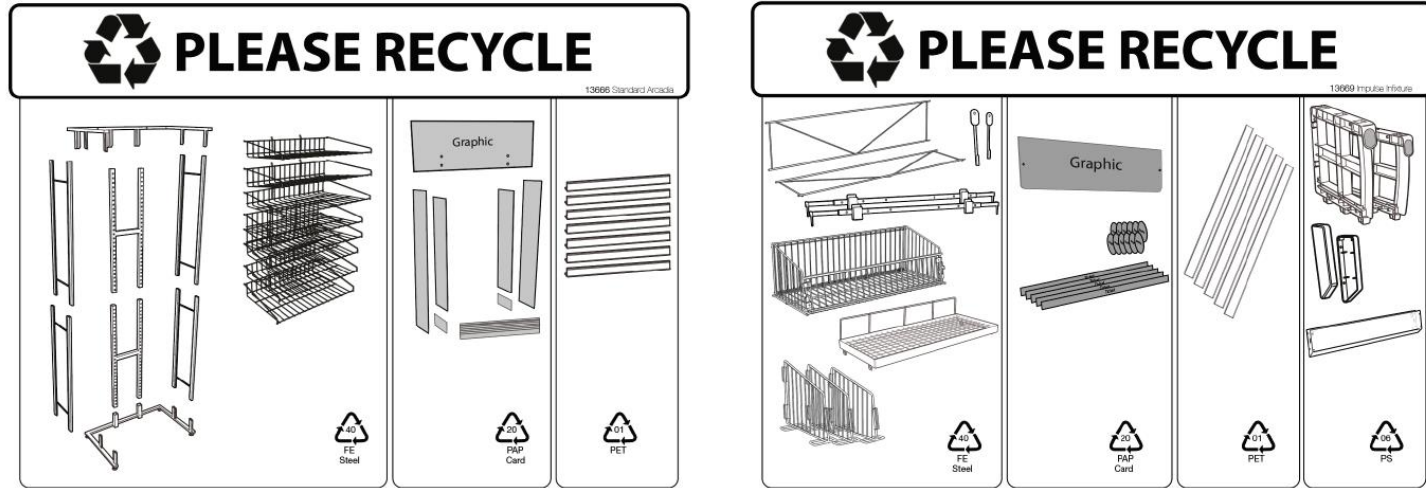
- Two thirds of artists find it important that no animal ingredients are being used (EUACA)
- Colart recently put a 60% less packaging message on it's new marker sets packaging.
- 54% would pay more for Artist's colours produced by a European manufacturer. (EUACA)
- 44% check the country of origin on the package (EUACA)

No greenwashing

Empty packaging return promos

Forecast objectives to grow brands

One thing shopper marketing are doing



Create dis-assembly diagrams for end-of-life recycling.

5 things to try?

- Create buzz, conversation topic and foster word-of-mouth, 360 comms lead to store to purchase
- Create a mixed media table in store or an area to encourage mixed media usage, linked purchase sales and in store experimentation
- A craft tip or project every quarter with relevant products to purchase
- Personalisation opportunities, through bundling offers or creating a set in store
- Offer a percentage off purchase with returned product packaging

And if you don't



Adobe recently launched Gemini, an app that allows artists and designers to create digital art via a stylus and screen, with the same effects as painting by hand, as with oils or water colours. The app was developed to aid artists by allowing them to create their work, from start to finish, in one application, rather than switching between programs such as Adobe Illustrator and Adobe Photoshop for different parts of the process. It will first launch on Apple's upcoming iPad.



THANK YOU