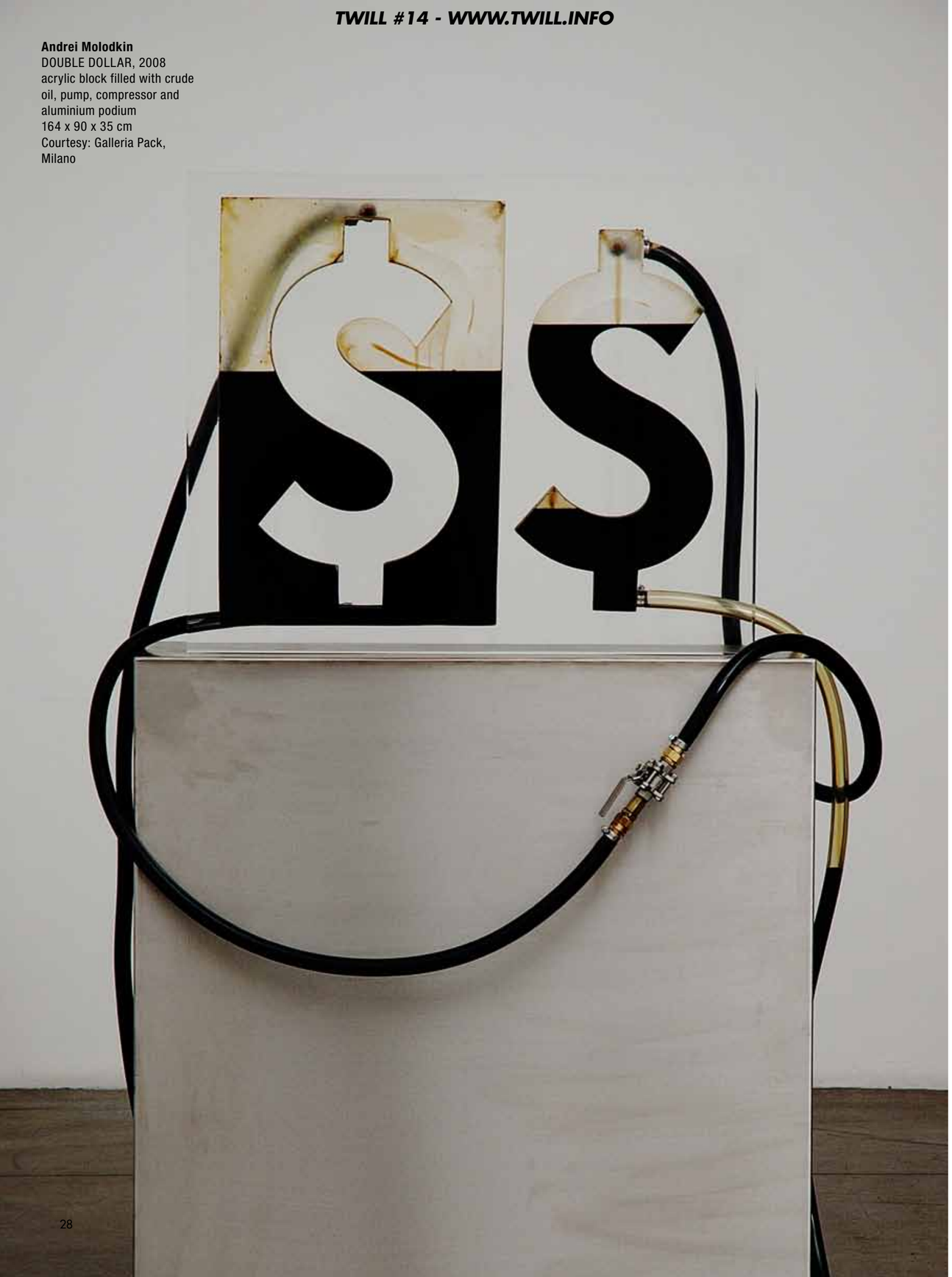


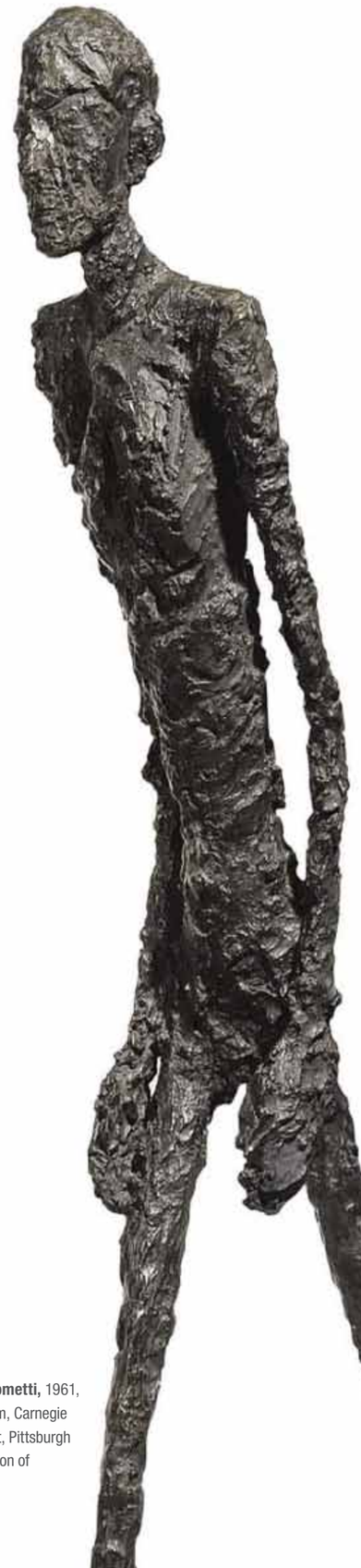
Andrei Molodkin
DOUBLE DOLLAR, 2008
acrylic block filled with crude oil, pump, compressor and aluminium podium
164 x 90 x 35 cm
Courtesy: Galleria Pack, Milano

ART AUCTIONS
THE INFORMATIVE ROLE OF PRE-SALE ESTIMATES

Brunella Bruno & Giacomo Nocera

The global art market has experienced an extraordinary growth over the last years. At the origin of this growth is the worldwide increase in art demand by a new generation of buyers attracted by the high returns and low correlations of art investments.
The characteristics of art as investment have been extensively analyzed in the specialized literature. Most of the studies concern the development of art price indices and the evaluation of risk-return of art investment compared with investments in traditional financial assets[1]. While results differ according to the methodology, the time period, and the art portfolio considered, there is a consensus on the weak correlation between traditional financial assets and art investment, the latter also providing a lower average risk-adjusted return.
Nonetheless, unlike financial assets, art assets are illiquid, difficult to price, extremely volatile and with high transaction costs. In such a context, the amount and quality of information available to market participants becomes essential for implementing effective investment strategies.
Estimates provided by auction houses are among the most relevant information sources. According to Sotheby's, an auction estimate is "a price that the auction house's specialists believe a piece might bring at auction". Since the price of each unique artwork is normally affected by inconstant and intangible factors, estimates are usually expressed as a price range.
From investors' point of view, it is crucial to understand the predictability power of pre-sale estimates; this is particularly true for inexperienced individual investors, who are likely to be subject to behavioural biases.

1. See among others Baumol, W.J., "Unnatural value: or art as a floating crap game", *American Economic Review*, Vol. 76, no. 2, 1986; Mei, J. and Moses, M., "Art as an investment and the underperformance of masterpieces", *American Economic Review*,Vol. 92, no. 5, 2002.



Alberto Giacometti, 1961, Bronze, 183 cm, Carnegie Museum of Art, Pittsburgh
Private collection of Lily Safra

"Our analysis shows that pre-sale estimates are not good predictors of the realized prices"

The prediction ability and uncertainty may differ among auction houses, for instance because of their different policies in setting estimates or their expertise in valuing artworks. It may also depend on the specific attributes of the individual piece of art and the availability of further information on the artwork (e.g., the item price history). Moreover, bidders' behaviours may be more predictable in specific markets or countries. Finally, pre-sale estimates may be subject to a bias, when auction houses systematically either overvalue or undervalue hammer prices.

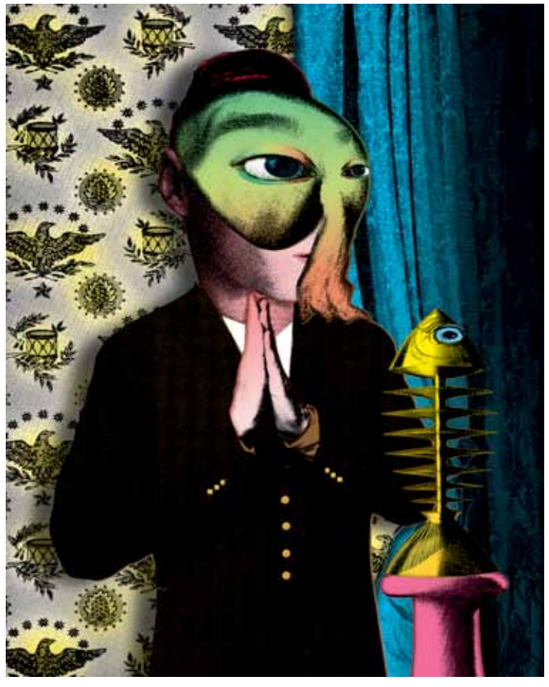
In a recent empirical work on Italian paintings[2], we investigate the informational content of pre-sale estimates by addressing two main questions: (1) Are the auctioneers good predictors of auction prices? (2) Which factors do affect their uncertainty and ability in predicting art prices?

To answer these questions, we employ a unique data set of Italian paintings that were sold at least twice, over the period from 1985 to 2006, by 15 auction houses all over the world.

Our analysis shows that pre-sale estimates are not good predictors of the realized prices, since only 37% of hammer prices fall within the pre-sale estimate range. Such a small figure is similar to the results from other studies and might be explained by the bias of pre-sale estimates. Furthermore, our results show that, on the one hand, estimates provided by different auction houses exhibit different degrees of uncertainty (measured by the width of the estimate range: the greater the uncertainty, the wider the range). On the other hand, there is no evidence of any difference among auction houses in prediction accuracy (measured by the frequency of times the hammer price falls into the estimate range and by the distance between the hammer price and the midpoint of the range).

In addition, we find that the auctioneers' uncertainty and accuracy in price prediction decreases and increases, respectively, when Italian paintings are auctioned in Italy, no matter which auction house is considered, thus revealing a "country-effect". A sound knowledge of the Italian art market (e.g., investors' tastes and expense behaviour) of Italian-based auction houses, rather than superior expertise in valuing Italian art, may explain this country-effect. Finally, the empirical evidence confirms the relevance of past prices in setting estimates, thus revealing some "anchoring effect" (i.e., prices for second sales are influenced by previous prices).

A number of interesting issues remain open. For instance, one may wonder what causes the differences in the informational content of estimates among different geographic markets and/or different auction houses. Explanatory factors might be found in the auctioneers' strategy in determining pricing as well as in technical and structural elements of art markets. We leave these aspects to future research.



Pierre Paul Pariseau
The collector

2 Bruno, B. and Nocera, G., "Investing in Art: The Informational Content of Italian Painting Pre-Sale Estimates", Working Paper (2008), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1179183

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THE CHALLENGE OF COOPETITION STRATEGY

TOWARDS A NOVEL MANAGERIAL MINDSET TO GUIDE INTERFIRM DYNAMICS

Giovanni Battista Dagnino

The cooperation between Peugeot and Toyota on shared components for a new city car for Europe in 2005 was a cooperation that concurrently entailed competition in downstream distribution markets. In the PC industry the portals traditionally work both competitively and cooperatively with other portals. This relationship structure, depending on different stances, has been considered good or bad. Restaurants also, when they work together, can create a much larger and valuable market that they ever could by working individually. A good example of "restaurant coopetition" is when there is part of a city or town that has a large number of restaurants concentrated in a relatively small area (customarily named "the restaurant district" or "the restaurant quarter"). If you look at this from a traditional business point of view, it looks like this is a bad idea. However, the reality is that all this abundance of places to eat, attracts customers who may just go to the area without any specific restaurant in mind until they arrive and make their decision over there. This is where the competition starts. The restaurants with the best ambience, or the best sounding menu, or the best quality/price or funny enough, with the most people usually bring the most customers... Typical examples of coopetition are, in this regard, food courts, special food events, advertising, and cross-promotion (Riesco, J.L., New Concept: Co-opetition in the Restaurant Industry, 2009).

From the simple triplet of instances reported above (automakers, the PC industry, and restaurants), it is straightforward to fathom that, though it is diffused in practice and is recently experiencing a flourish in research and teaching, the concept of coopetition strategy probably needs additional reflection and scrutiny. In this short essay, I suggest that coopetition strategy (or the systematic hunt for competition and cooperation) bears the potential to be a novel managerial mindset to guide interfirm dynamics more properly fitting today's evolving scenarios. In this regard, some literature is cumulating: the special issues dedicated to relevant theme of coopetition strategy of: International Studies of Management and Organization, 37(2) 2007; Revue Françaises de Gestion, August-September 2007; Management Research, 6(3) 2008; International Journal of Entrepreneurship and Small Business, 8(1) 2009; and Industrial and Corporate Change, forthcoming in 2012, as well as the two recent books: Coopetition Strategy: Theory Experiments and Cases, Routledge, 2009 and Coopetition: Winning Strategies for the XXI Century, Edward Elgar, 2010).

In particular, the objective of this contribution is to move away from the mere recognition of the overworked and oversimplified conventional conception of sheer competition and sheer cooperation to advance a few step towards a deeper understanding of the nature of coopetition strategy. In such a way, I advocate the advantages of introducing coopetition strategy in management vocabulary and practice. I also contend that coopetition strategy bears the promise to supply some features to shape a new managerial mindset to guide the evolution of interfirm dynamics. By suggesting that coopetition is a matter of "incomplete interest (and goal) congruence" concerning firms' interdependence, I stress that coopetition implies that cooperation and competition merge together to form a new kind of strategic interdependence between firms, giving rise to a coopetitive system of value creation (Dagnino, 2009; Padula and Dagnino, 2007).

Since current research, teaching and practice of coopetition strategy inflate a number of fundamental challenges that are relevant to practising managers, consultants and academics, it seems that time has come to dissect a few significant issues that range from the "minimal cognitive acceptance" of the term coopetition, to the "full recognition of the crucial relationships" between the phenomenon and the conceptual notion, and eventually to the "actual use of coopetition strategies" in the business world.

As I have maintained heretofore, coopetition strategy is an area of research, teaching and practice which is rapidly emerging in management. The number of researchers in the field is hastily increasing and the academic demand for teaching courses on