Economic Impact Study: Nunavut Arts & Crafts Sector

June 2010

Presented to

Alianait Arts Festival

Prepared by

Nordicity & Uqsiq

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- Known for applying expertise in finance, business, market and technology to media and traditional culture
- Experts in the convergence of traditional culture with digital technology
- Tracking new business models for film/TV production, music games and publishing
- Data gathering and industry profiling across all cultural sectors consistently for time series tracking
- Economic impact assessments for measuring effects of discrete policy tax, regulatory and program support tools
- Cultural program and policy analysis and development

In December 2009, ED&T engaged Nordicity & its partner Uqsiq Communications to establish a profile of Nunavut's Arts & Crafts Sector. The study focused on the following ***Three Objectives***:

Develop a way to gather pertinent **economic statistics** about the sector.

Increase the understanding of the **size**, **scope** and **economic impact** of Nunavut's arts & crafts sector.

Provide recommendations on how to **maximize** the sector's **economic impact**.

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Today’s Presentation:

1. Methodology and future tracking.
2. Economic impact and sector analysis.
3. Conclusions and the future.

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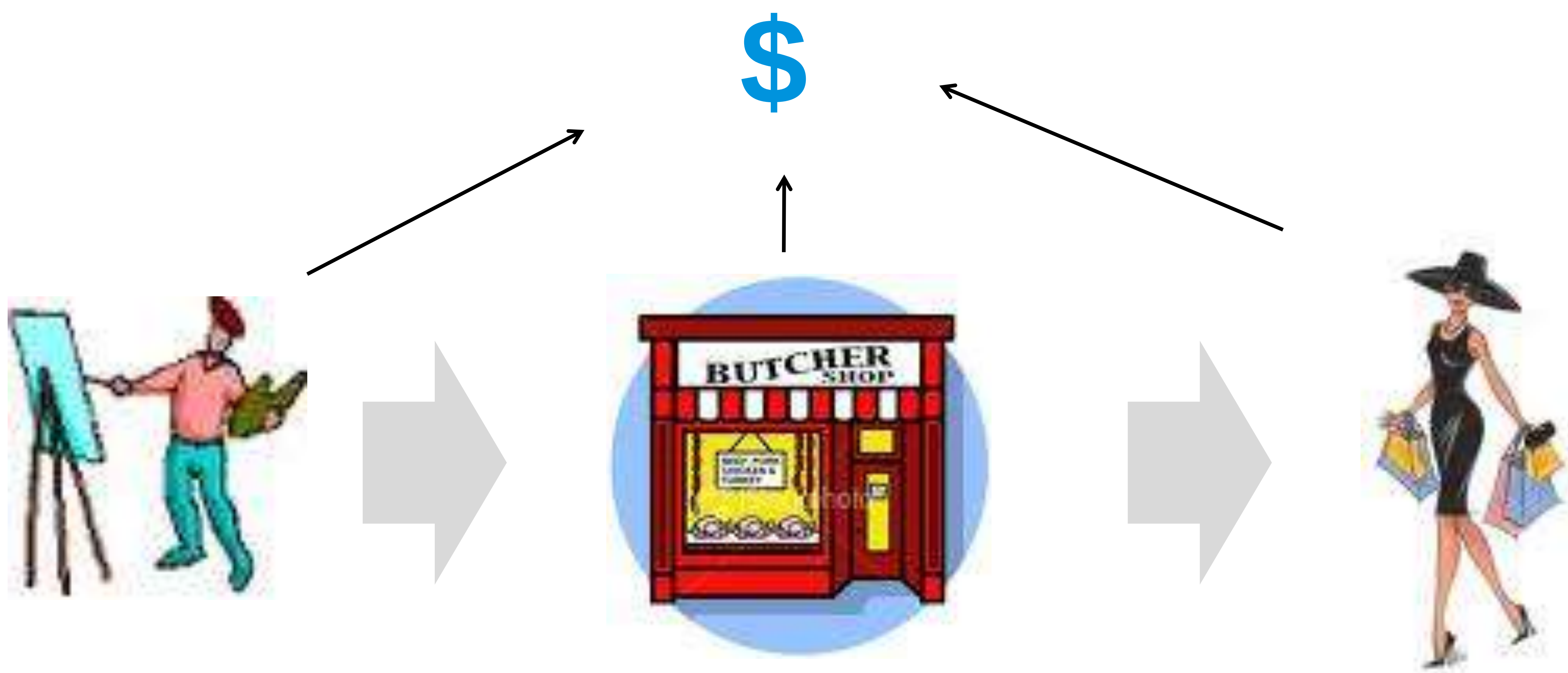
Methodology and Future Tracking

Methodology: Multi-sided data gathering and verification

Information on one sector component from multiple sources in the value chain (above and below) was used to verify estimates.



➢**Example:** estimates from Nunavut retailers were verified with estimates from artists, and from consumers

Key Data Sources:

Materials:
Retailers
Artists
Quarrying Pros.

Artists:
Focus groups
Interviews
Websites
Statistics Canada

Nunavut retail:
Online survey
Focus groups
Retailer interviews
2006 Exit Study
Online listings
Annual reports

Wholesale:
Wholesalers
Annual reports
Southern retailers

Southern retail:
Retailer interviews
Wholesalers
Stats Can data
Industry experts

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Future Data Gathering:

- Establish ongoing tracking and reporting practices for key data points from key stakeholders:
  - Costs, sales revenue, employment, # of artists bought from
  - Nunavut retailers, wholesalers, wholesale buyers, southern and international retailers

- Maintain up-to-date artist profiles
- Conduct annual or bi-annual spending survey of GN employees and broader audience of Nunavut residents
- Conduct annual focus groups/gather artist production and sales information at community stakeholder meetings
- Coordinate with Tourism Dept. on annual visitor statistics

Economic Impact and Sector Analysis

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Economic Impacts:

- **$33.4 million in total impact**
  - $22.9 million in direct impact
  - $10.5 million spinoff (indirect & induced) impact

- **1068 Full-time equivalents**
  - 828 direct FTEs
  - 240 spinoff FTEs

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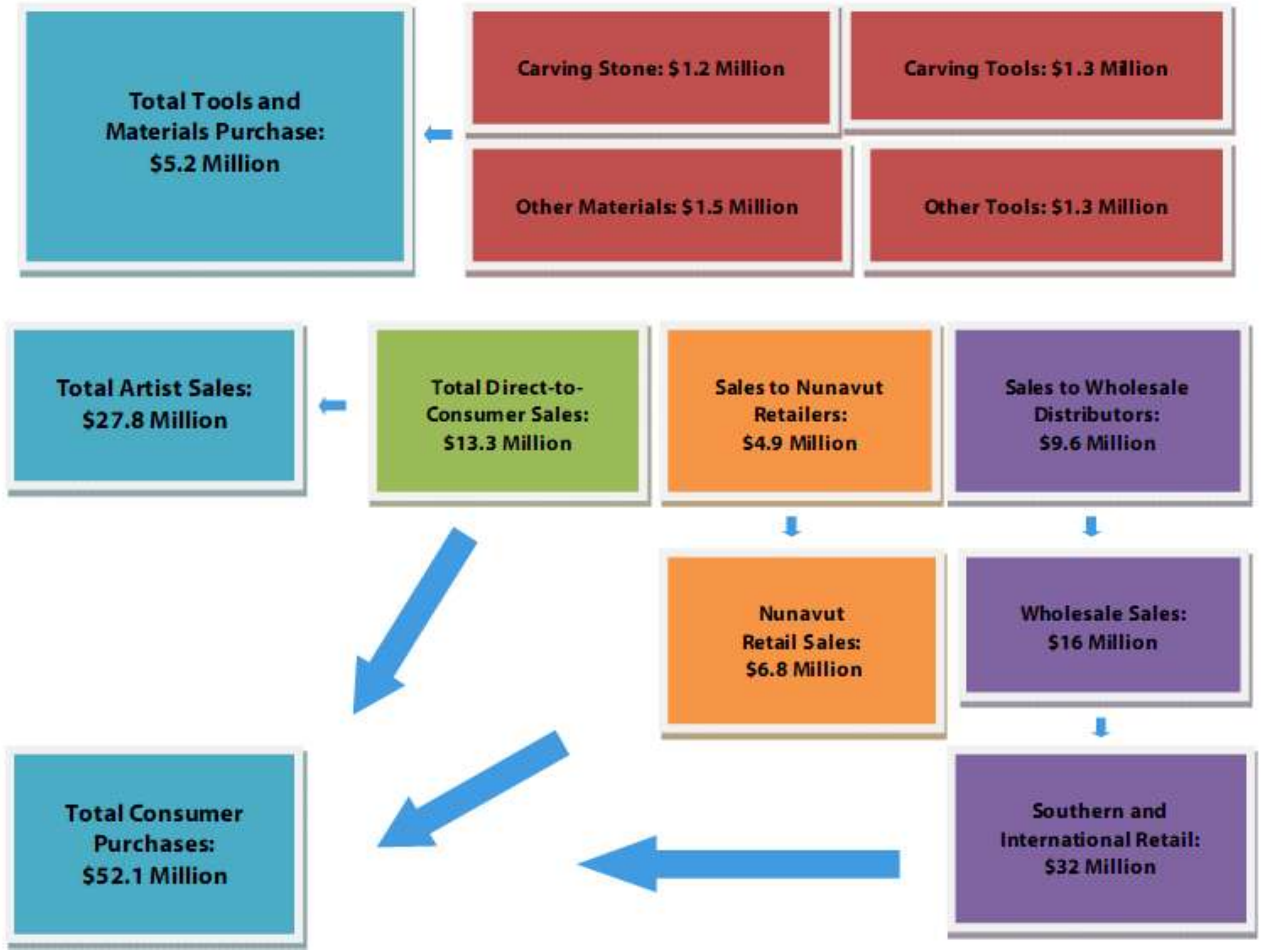
Value Chain Profile:



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Artist sales vs. End Consumer Sales:

- Due to direct-sales market, artist sales account for more than half of all end consumer sales.

	Artist Sales	%	Sales to End Consumers	%
Cottage Industry	$13,300,000	47.8%	$13,300,000	25.5%
Nunavut Retail	$4,900,000	17.6%	$6,800,000	13.1%
Wholesale	$9,600,000	34.5%	$32,000,000	61.4%
Total	**$27,800,000**	**100%**	**$52,100,000**	**100%**

- However, artists receive less than 38% of the value of all formal retail sales.

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Activity line breakdown:

By artist production estimate, consumer purchase estimate, and overall estimate of end consumer sales.

Activity Line	Artist Rank	Resident Purchase	% of End Sales
Carving	1	35.8%	58%
Sewn Products	2	19.9%	13%
Jewellery	3	25.4%	8%
Tapestries	3	3.6%	4%
Prints	5	12.6%	10%
Other	6	2.0%	6%

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Defining Artists:

"Any Nunavut resident over the age of 14 years with the ability to produce arts and crafts products for resale."

- Definition captures all Nunavut residents that could potentially contribute to, and impact, the sector:

- The inclusive definition results in a very high artist count

- Because of the occasional nature of art production, the number of artists is much greater than the 828 direct FTEs calculated in the economic impact

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Counting Artists:

- Estimates have ranged as high as 6,000 – the equivalent of $4,633 sales per year per artist – but estimates have to be verified against other data.
- Combining all sources, we believe a realistic estimate of 3,000 artists based on a range of 2,500-3,500 – the equivalent of $9,267 per artist per year.
- However, artists fall within a broad range of average annual sales.

Sales Range	Average	% Artists	# of Artists	Total Sales
$60,000-$100,000	$80,000	2.0%	60	$4,800,000
$30,000-$60,000	$45,000	6.0%	180	$8,100,000
$10,000-$30,000	$20,000	7.5%	225	$4,500,000
$5,000-$10,000	$7,500	24.0%	720	$5,400,000
$500-$5,000	$2,750	60.5%	1,815	$4,991,250

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Consumer survey:

- Survey of GN employees confirmed many industry theories

Product Type	% of Annual Purchases	Total Spend	Average Spend
Sculpture	35.8%	$83,670	$526.23
Jewellery	25.4%	$59,254	$372.67
Clothing	19.9%	$46,380	$291.70
Prints	12.6%	$29,417	$185.01
Tapestries	3.6%	$8,411	$52.90
Other	2.0%	$4,626	$29.10
Ceramics	0.8%	$1,898	$11.94
Total	**100%**	**$233,651**	**$1,469.50**

Source: Survey of GN employees

Sculpture is the most popular type of art, but followed closely by jewellery and clothing.

Purchase Channel	Average Rank	#1 Ranks
Door-to-Door	1.58	73
Bar/Restaurant Sales	1.95	44
Private Retail	2.41	19
Pre-order	2.58	6
Co-op Retail	2.90	5
Online	4.92	0

Source: Survey of GN employees

Direct-purchase channels are highly favoured by Nunavut residents.

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Larger communities average higher per-respondent annual sales.

Community	# of Respondents	Average Annual Spending
Iqaluit	75	$1,637
Pangnirtung	12	$1,334
Arviat	12	$583
Pond Inlet	11	$1,454
Cambridge Bay	11	$1,672
Kugluktuk	11	$895
Rankin Inlet	8	$1,858
Baker Lake	6	$865
Cape Dorset	5	$2,458

Source: Survey of GN employees

Motivation	%
Gift	91%
Personal use	81%
Resale	1%

Resident consumers buy for gifts and personal use mainly.

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Mark-ups and growth

- Nunavut retail: 40%
- Wholesale: 67%
- Southern Retail: 100%

A sculpture sold by an artist for **$500** could retail for **$1,700** in Toronto or Montreal.

All indications are that the market has stagnated or may be declining somewhat.

Annual advertising totals from the IAQ show a drop-off in advertising by US galleries.

Year	Canadian	US	International	Total
2009	73	20	4	**97**
2008	85	32	2	**119**
2007	67	31	1	**99**
2006	69	32	2	**103**
2005	88	39	2	**129**
2004	69	28	4	**101**
2003	72	31	4	**107**

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Tools and Materials:

- Artists' estimates provide indication of average tool and material expenditures

Community	Materials Range	Materials Avg.	Tools Range	Tools Avg.
Iqaluit	$8,000-$12,000	$10,000	$2,500-$12,000	$7,250
Pangnirtung	$2,500-$4,500	$3,500	$2,000-$8,000	$5,000
Cape Dorset	$3,500-$6,500	$5,000	$2,000-$6,000	$4,000
Pond Inlet	$2,000-$7,000	$4,500	$3,000-$10,000	$6,500
Gjoa Haven	$3,500-$6,000	$4,750	$2,000-$7,000	$4,500
Average		**$5,550**		**$5,450**

- Overall, materials and tools range from roughly 5% to 25% of an artist's annual sales amount

Discipline	Materials	Tools	Total
Stone sculpture	$1,150,000	$1,250,000	**$2,400,000**
Other	$1,500,000	$1,250,000	**$2,750,000**
Total	**$2,650,000**	**$2,500,000**	**$5,150,000**

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Conclusions and the Future

Industry Strengths:

- Nunavut's unique history and cultural evolution provides distinct artistic motivator and generates a unique, authentic image.
- The ongoing individual pursuit of artistic expression by leading Nunavut artists leads the sector.
- The efficient 'commodity' focus of many artists allows them to scale to market trends.
- Direct sales market allows instant business opportunities.
- Diversity of production, geographic locations and natural mentorship within the sector all point to the self-sustaining nature of the industry.
- Growth in demand for arts & crafts amongst Inuit population has the potential to generate additional demand from outside buyers

Industry Challenges:

- Preference for full cash payment hinders opportunities to increase artist share of end consumer sales.
- Potential for over-commoditization could devalue Nunavut art and Nunavut art brand in the global marketplace.
- Lack of new sales markets or access to alternative markets, particularly for artists in smaller communities.
- Artists need to be better positioned to benefit from positive economic trends.
- Balance between training artists in traditional techniques but fostering new forms of creative expression.
- Difficulty of sourcing adequate supplies of quality materials at affordable prices.

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Going Forward:

The arts and crafts sector needs to be recognized and supported for its substantial contribution to the territorial economy.

- To grow an authentic and globally competitive arts & crafts sector, support initiatives and programs should:
  - Leverage strengths and address challenges
  - Include clear goals, measurable objectives and transparent reporting back to stakeholders.
  - Be easily accessible for artists
  - Recognize the importance of artistic vision within a commodity-focused sector
  - Be part of a larger, common vision across multiple private and public sectors (e.g. tourism, education & retail)
  - Recognize the need for sustained policy and program support
  - Work around challenges that cannot be adequately addressed

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New Programs:

ED&Ts revised Arts and Crafts Development Program Policy already addresses many of the industry’s challenges.

- New programs should include proper evaluation criteria, including sets of Key Performance Indicators, so their success can be evaluated.
- Measuring programs against set KPIs keeps them flexible and allows for ‘on the fly’ adjustments.
- Proper evaluation frameworks allow the economic impact of programs to be measured and maximized.

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For more information on how Nordicity is leading the discussion towards developing Canada’s national digital strategy, visit:

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