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E-da-how Art Treasures: A Long Range Business Plan

By

Joseph L. Dorris

B.S., United States Air Force Academy, 1974

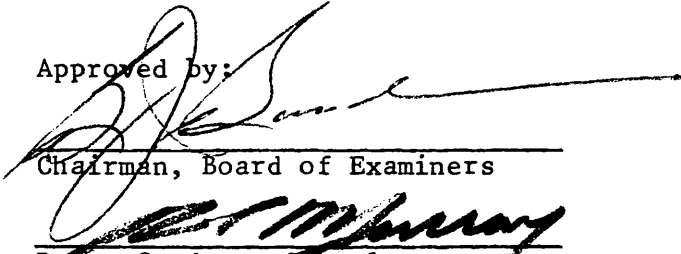
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1982

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CHAPTER I

INTRODUCTION

1. E-da-how Art Treasures

Concept and Background

E-da-how Art Treasures is the name given to a proposed business venture which incorporates the author's artistic talents, gemology background, and business desires. The concept has been developed throughout the past ten years and will continue to be developed until its full establishment some ten years hence. The author had intended to be sole-owner, art contributor, and manager for the venture; however preliminary studies in 1974 indicated this would not be feasible. The author could not produce enough art and meet management responsibilities at the same time. By changing the concept to include a manager, contributing artists, and contributing like-businesses, the venture appears feasible. The venture would become a fine arts center owned primarily by the author. Contributing artists and businesses would insure an adequate merchandise stock, contribute rent, and draw customers. As a result the combined profit margins will result in an overall profit.

2. Purpose and Subproblems

The purpose of this study is three-fold. First it is a long range business plan for establishing a fine arts center named E-da-how Art

Treasures. Secondly it presents a plan for developing the author's artistic skills and his painting market. Thirdly the study serves a secondary function as a guide for all working artists--those who must supplement their art sales by working at a second occupation. In this respect the study specifically addresses problems caused by the conflict between working and painting. It presents a tool not only useful to other artists for planning their own personal artistic development, but more importantly it acquaints them with art marketing and management problems as well as other retailing aspects of their business--art sales. In this same respect the study also provides a tool for entrepreneurs interested in establishing a framing shop, artist supply store, or a gallery. The study addresses the important building, marketing, and retailing requirements for each of these businesses as well as insight into the artist's psychology and needs.

The plan involves developing interrelated areas: a personal artistic development plan, a marketing and/or retailing plan, and a financing plan. All plans were based on research from 1974 through 1981 with general background information from earlier years. Each plan is treated in separate chapters which are interrelated. Together, they provide a working document for developing the venture. However, as the basic structure won't be established until 1985, these sub-plans will be updated as they have been since the original 1978 draft. Updates would reflect the changing market climate in the McCall area.

3. E-da-how Image, Description, and Explanation of Terms

E-da-how Art Treasures would be a fine arts center designed around retail sales of art and supplies, jewelry, photography, and related items. The venture would consist of five profit centers: sales of the author's

art, gallery sales (consignment sales), art supply sales, frame sales, and rent from sub-shop co-artists. The co-located businesses would feasibly draw sufficient customers so that the combined contributions would produce an overall profitable venture as presented in chapter 6.

E-da-how's overall image would be partly defined by its products which are intended to impart high quality and/or rarity. Proposed products include fine art paintings, rare and unusual gemstones or minerals, one-of-a-kind jewelry, fine bronzes and sculpture, fine custom photography, and other like items.

The structure would support the venture's intended image. It would include a three-floor gallery and a two-floor studio and retail area. The multi-level structure would compliment the area's natural rugged landscape of mountains and trees and the lake it overlooks. It would further be landscaped in a modern natural wilderness setting which is indigenous to the McCall, Idaho, area, the proposed building location.

The building's interior would further support the image through its modern design and carefully designed display areas. Generally it would be carpeted, include comfortable furniture, and use modern fixtures. It would incorporate natural and artificial lighting, several natural woods, stone, and display cases to help partition the sub-shops.

Sub-shop co-artists are defined as entrepreneurs who would rent space to produce and sell their art products. They would manage their sub-shops which would include display cases, a work area, and designated gallery display space. There would be room for three or four co-artists with specialties such as studio photography, silver smithing, bronze sculpture, and print making.

The venture intends to draw promising artists who can grow and

eventually become relatively well-known and successful. In turn, the venture plans to gain recognition as a leading Idaho gallery. Thus the gallery, the products, and the co-artists must enhance each other to help build the intended high quality image.

Long range plans, establishment, and venture plan refer to totally planning, constructing, and financing E-da-how Art Treasures. The plans are based on a 20-year time frame, 1974-1994.

Finally the phrase "personal artistic assets" refers to the author's creative abilities and talents. In this respect, this study is unusual in that it addresses the development and saleability of a person. This partly supports the 20-year time frame. Twenty years allows sufficient time to improve "utility and value."

All these concepts, the image, and the definition will be refined and supported below. However, this introduction should have provided a basis for understanding the overall plan and its objectives.

4. Assumptions, Hypotheses, Data Sources and Data Treatment

Assumptions

There are several basic assumptions upon which the venture's success rests. The first assumption is that the author will be able to continue his Air Force career until at least 1994 when he can retire. Secondly, the study assumes the author will be able to develop his skills and become a relatively well-known and salable artist. Finally, it is assumed the long range plans, as presented, can be implemented and carried out.

Hypotheses

Four hypotheses which support the working artist who is painting and holding a second supporting occupation have been used to develop the overall

artistic development concept. These ideas are presented not to be substantially proven, but as "sounding boards." They present a fresh means for looking at the problems encountered by working artists. They have held true for the author and are presented so they may be further evaluated by others. Again it is not the intent of this study to prove these hypotheses; rather they are presented to be further examined and tested.

First, artistic abilities are better developed during relatively stable conditions when the artist is not overly concerned about survival needs. This is supported somewhat by Maslow's hierarchy-of-needs theory which states survival needs must be fulfilled before a person can self-actualize. Basically a person cannot produce art works if the day-to-day living requirements such as food, shelter, and clothing are not met. Conversely however, certain artists were so compelled by their work they starved to death. Certainly though, given freedom from survival needs and given stable conditions within which to work, an artist could produce more and for a longer length of time and develop further his/her artistic abilities.

Secondly, a second occupation or a military life does not necessarily stymie nor hinder the creative abilities of a person. On the contrary, a second job can enhance these abilities. Creative personality trait theories tend to show this holds true. Primarily the military individual is subjected to an increased number and variety of experiences which less mobile artists are not. These experiences yield an advantage. Sidney J. Parnes, founder, Creative Institute of America, points out creativity rests on the total sum of experiences as well as the creative process.¹

¹Angelo M. Biondi and Sidney J. Parnes, Assessing Creative Growth: The Tests--Book One (Great Neck, New York: Creative Synergetic Associates, 1976), introduction.

The more and varied experiences give more tools. The artist draws on the total sum of his/her past experiences, whether they are physical, emotional, or psychological. Another example indicates this. Basically, laboratory experiments show that animals raised in an enriched environment can better adapt to new environments and situations. Generally speaking, the military life and a second occupation can present such an environment. The hypothesis states an artist can have a second job and succeed as an artist. The second job often gives valuable experiences. It does conflict in terms of productive time available and ideally artists would only work until their paintings could support them. However full time painters also experience problems when they have no other income to fall back on (shown below). The creative personality is constantly at work, even during a second job, and this is the aspect which allows the artist to succeed. Indeed of 30,000 professional artists in America, 20,000 support their art income with a second occupation.¹

A third hypothesis suggests that artists without financial security, prostrate themselves to the desires of their clientele and thus cannot fully develop their optimal talents or style--they cannot experiment and grow as greatly. For example, rather than creating art works in the true art sense without censorship or contemporary pressures, the pure and unhindered expression; the artist is forced to create works which sell in order to survive. This is not to suggest that artists do not create with an intent to sell. It merely suggests that if artists have no choice but to paint works only to sell, then they may not be able to fully develop their style or express themselves as they wish.

¹Calvin J. Goodman, "The 2½ Billion Dollar Art Market," American Artist 45 (June 1981): 66.

The fourth hypothesis states that experiences are not forgotten and frustration is the root of all learning.¹ An artist who must postpone working after an inspiration because of time limitations or survival needs will still be able to recreate these experiences later when the constraints are lifted. The success of this is, however, a function of the intensity of the experience and the length of time. If the intensity is not very great the time span before painting cannot be great. However if it is a very intense experience such as a disaster, then the time can be much greater. Primarily the experiences are magnified and can be more vividly expressed because time tends to limit a subject to the more easily remembered emotions, and thereby the more truthful accounts. It is the emotions the artist attempts to capture and provoke. This is often called the statement of a painting, and without it, the work is simply a picture.

In the case where the artist can paint day after day, he can fulfill the need for self-expression and the need to satisfy frustration. Thus, the drive is eased. The restrained artist, on the other hand, must suppress his feelings and emotions; and therefore when he can produce, the emotions tend to "bubble out." The moment of inspiration, so to speak, becomes magnified and can be more greatly and accurately manifested in his works. Thus, the artist tends to paint more with his emotions.

The preceding hypotheses are presented primarily because they support artists who have second occupations and they show that the two are not necessarily incompatible. Further study of the creative personality shows that these points do indeed hold true. The creative personality references listed in the Bibliography are recommended for further support; however, a prolonged discussion of them is beyond the scope of this study.

¹Biondi and Parnes, introduction.

Data Source and Data Treatment

Secondary data for the plans in this study have been collected since 1974; whereas primary data, mostly personal experience, have been assimilated since 1970. Other primary data, in the form of interviews, have been gathered since 1976 and are used most extensively.

Secondary sources included marketing, retailing, and financial texts. They also included business and news articles from periodicals. Several art marketing texts were used as well as numerous art articles. In addition, a number of gemstone periodicals were used, and finally, articles from McCall's newspaper, the Star News, were used. These are all listed in the Bibliography.

Much of the primary data were gathered through interviews with businesses and by visiting like-ventures. Most of the data for the personal asset development plan came from first-hand experience and experimentation.

Interviews were used extensively to gather marketing, retailing, and financial data. This method was chosen for several reasons. First, little published data are available on small art galleries. Secondly, the author could quickly check data against the venture's image and its requirements and thus could personalize questions. And finally, many of the personal problems, requirements, likes and dislikes, as well as successful habits of the owners were rarely found in technical books. In short, interviews revealed the true experiences of people in the same businesses.

Extensive searches through literature and trade journals will be continued during the plan in an ongoing effort to identify key factors which have aided successful artists in developing their unique styles.

This continuing search would also reveal key factors for constructing a unique gallery, stocking successful merchandise, and developing criteria to aid in determining uniqueness and saleability. Essentially, this is comparison and projection, or historical in nature.

Statistical processes were used to determine most of the marketing, retail, and financial plans. These consisted chiefly of analyzing income statements of like-businesses and current trends, then linearly projecting them to fit E-da-how's situation.

All data have been projected to 1994 as much as possible. Since the time span is so great, the largest drawback to this study is the uncertainty of these projections and trends. Because of this, these plans will be continuously evaluated as they are methodically implemented. This is the basis from which all future projections were made.

CHAPTER II

PERSONAL ANALYSIS AND DEVELOPMENT PLAN

Elements of this chapter address personal qualities of the author, how he is progressing as an artist, and how he plans to progress. Consequently, it is subjective in some ways and is difficult to present objectively; therefore, wherever possible, other artists' views were used as well as several art business texts. The chapter addresses artistic progress, personal career, a development plan, and a production plan.

1. Personal Background Evaluation

Personal progress, sales success, and a base for continuing comparisons are presented in this section. It is based on experience and some limited art training.

Personal Progress Rate

Progress must first be defined, and it can be in terms of improving quality, increasing prices, and demand over time. The rate is simply the favorable change over time. There are a couple of ways for defining and determining the quality of a painting. For example in a Delphi-like technique, art experts define quality by a list of characteristics. Art judges then apply these "standards" when judging art works. Of course, the "standards" are biased by personal likes and dislikes, formal training, and experience, but there is a general level of quality identified

by all these experts which is consistent.¹ For example, they easily identify poor art techniques, balance, perspective, and composition.

In order to determine a progress rate then, an artist can submit works to juried shows. Success at these shows gives an indication of the relative quality. To determine rate, the artist keeps track of his/her success in these shows as compared with his/her contemporaries' success.

There are drawbacks to this method however. Judges do not have an exact set of standards, thus each favors certain qualities. Secondly, art has a different acceptance in different geographical areas. For example, a "western painting," if juried in Alabama, would very likely be eliminated. The show itself must be a quality show in order to be meaningful, and of course should be of consistent quality over time. Also, to get accurate rate comparisons, an artist must remain in an area long enough to be compared with the same artists on more than one occasion.

Despite this there are many excellent features of juried shows. The quality shows have nationally known judges, and success can indicate local, national, and even world success. As the name implies, to even have an entry accepted at a juried show indicates a measure of success. For example, the judges commonly select only 100 or 200 entries to show from a field of entries which can range into the thousands. In addition, many successful entries are sold to private buyers or to art galleries.² Thus success isn't solely dependent on placing in a juried show. Certainly then, increasing success at juried shows indicates improving quality.

Since arriving in Montgomery, Alabama, in 1978, the author has had

¹Robert Schonfeld, "Investing in Art," American Artist 44 (February 1980): 18.

²Betty Chamberlain, "Competition Competence," American Artist (July 1980): 10.

some success at three annual juried shows. For example, the Montgomery Museum of Fine Arts sponsors an annual show in which the author has had two entries accepted. Each time 90 paintings were selected from a field of 300. During both public critiques, two different art critics commented favorably on his two paintings. This is significant because during a public critique the art critic selectively critiques works. The 1980 critique of "First Snow" was highly favorable (Figure 2-1).

FIRST SNOW



Oil, 36" x 24", 1980

FIGURE 2-1

Dr. Coley commented: "Now, this painting is stunning, simply stunning. . . there's a statement here. . . Whoever this is, captured his hands. This is the most interesting part. They're awkward and too big,

like a boy's. Yes, a shocking painting--colors suitable too. . . ."1 It is also significant that Dr. Coley continuously referred back to "First Snow" as a comparison for other critiques throughout the night.

Comparable artists in the Montgomery area have been identified as 22 artists who belong to the Montgomery Art Guild and who also enter the same juried shows as well as the mall shows that the author does (appendix 2-1).

As most artists do not enter every juried show, it is not accurate to identify shows in which these artists did not have entries as shows from which they were excluded. However, based on the nine juried shows since 1978 and the six mall shows, these 22 artists are relatively regular entrants. Only two artists, Ann Crow and Freda Groves, have placed. Otherwise, there were no particular successes. The author had favorable critiques and won the "Seminar for 79" juried show with "Cardboard Airplane" (Figure 2-2).

A second way to identify rate of progress is by determining the increase in prices for works by comparable artists over time. In 1978, the author's standard 36" x 24" paintings or 864 equivalent square inches sold for \$175-\$200. Now, 1981, 864 square inches sell for \$300-\$350. Based on the 1967 price index, this indicates a 36-40% increase in price. Other comparable artists in Montgomery have not done this. For example, only Jack Turner and Walter Keith have increased their prices. The juried show programs which list these artists' works and their prices also indicate this.² However, this is only a rough comparison because several artists have a large range in prices, \$200 to \$2,000 for example, and it's

¹Dr. Paul Coley, Auburn University at Montgomery (AUM), Art Director, Critique at Montgomery Museum of Fine Art, March 1979.

²Montgomery Art Guild Show Catalogs, 1979-1981; Alabama State Bank Show Catalogs, 1979-1980.

difficult to determine a "standard painting."

CARDBOARD AIRPLANE



Oil, 36" x 24", 1979

FIGURE 2-2

Unchanging prices were particularly evident at the mall shows. Indeed, prices tended to be depressed. The author normally had higher priced comparable works than those shown by the other artists. Though these observations are limited, the author does appear to have a relatively higher progression rate as far as price is concerned when compared to the Montgomery area artists.

The third item which identifies personal progress is an increasing demand for the artist's works. It's difficult for the author to measure

this except in general terms since he has not been able to meet demand for his works and has generally not actively marketed them. A better measure of this is given in chapter 5 in that production and sales are listed and over time, have increased. However, the author is not yet placing full effort into producing works and has turned down several commissions. Figure 2-3 gives production numbers, actual commissions, and requested commissions as well as sales. Figure 2-4 shows these graphically.

DEMAND FOR PAINTINGS

Production (Supply)				
<u>Year</u>	<u>Actual Production</u>	<u>Commissions</u>	<u>Commissions Turned Down</u>	<u>Possible Total Production</u>
	(sq ")	(sq ")	(sq ")	(sq ")
1978	4,344	864	1,728	6,936
1979	8,544	864	0	9,408
1980	6,480	0	3,456	9,936
1981 ^a	3,024	0	2,592	5,616 (11,232)

<u>Sales (Demand)</u>			
<u>Year</u>	<u>Actual Sales</u>	<u>Commissions Turned Down</u>	<u>Possible Total Sales</u>
	(sq ")	(sq ")	(sq ")
1978	3,012	1,728	4,740
1979	2,448	2,592	5,040
1980	5,040	3,456	8,496
1981	1,584	2,592	4,176 (8,352)

^aRepresents half a year. Figures in () are expected for 1981.

FIGURE 2-3

GRAPH OF DEMAND

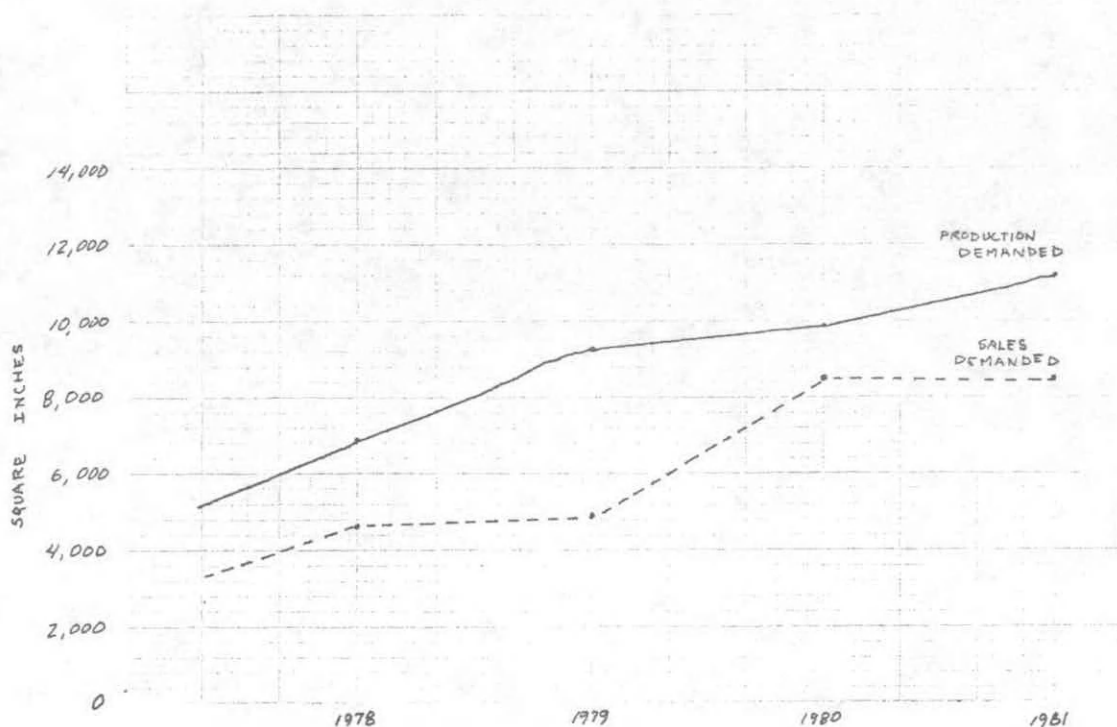


FIGURE 2-4

Overall sales and production have increased which indicate increasing demand.

There are other indicators which show the author's growth as an artist. The author keeps photographs of all his works, and by studying these a progression can be seen over time. Figures 2-5a through 2-5f illustrate this. These photographs depict people, considered by many artists to be the most challenging of all subjects.

Painting Comparison Base

A comparison base is simply another tool to help in analyzing continuing growth or progress. The base contains a variety of samples of the average product. These samples are carefully analyzed as to strengths and weaknesses and the data are recorded. They now become a base against which the future product is measured.

STORY OF WHEN THE BEAR GRASS BLOOMS (Oil, 42" x 34", 1978)



FIGURE 2-5a

MALMSTROM MISSILE DUTY (Acrylic, 96" x 48", 1978)

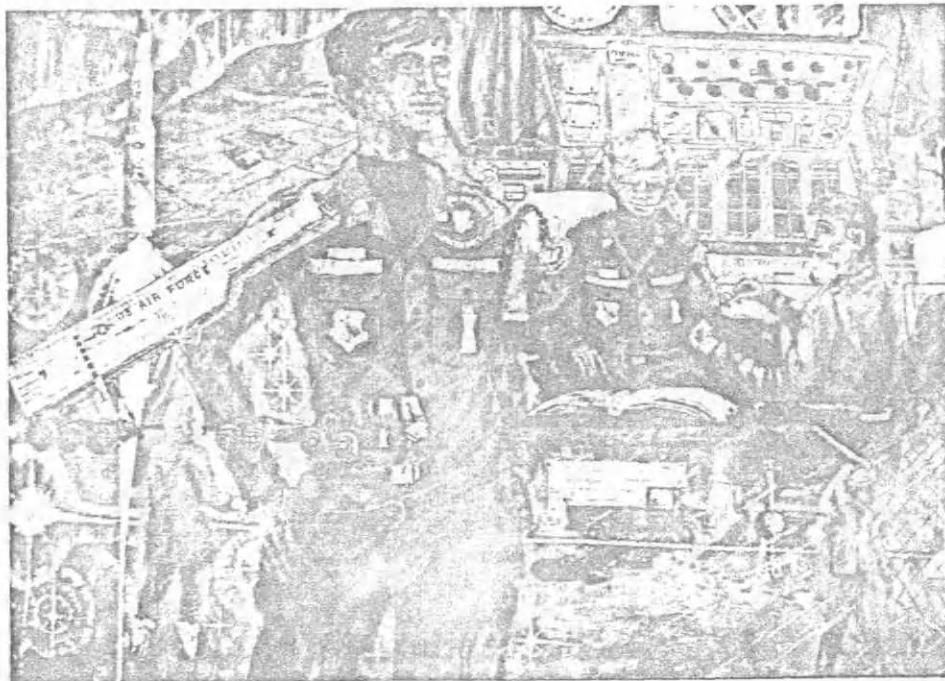


FIGURE 2-5b

CARDBOARD AIRPLANE (Oil, 40" x 30", 1979)



FIGURE 2-5c

STORY FOR WHEN THE SUN GOES (Oil, 48" x 36", 1980)

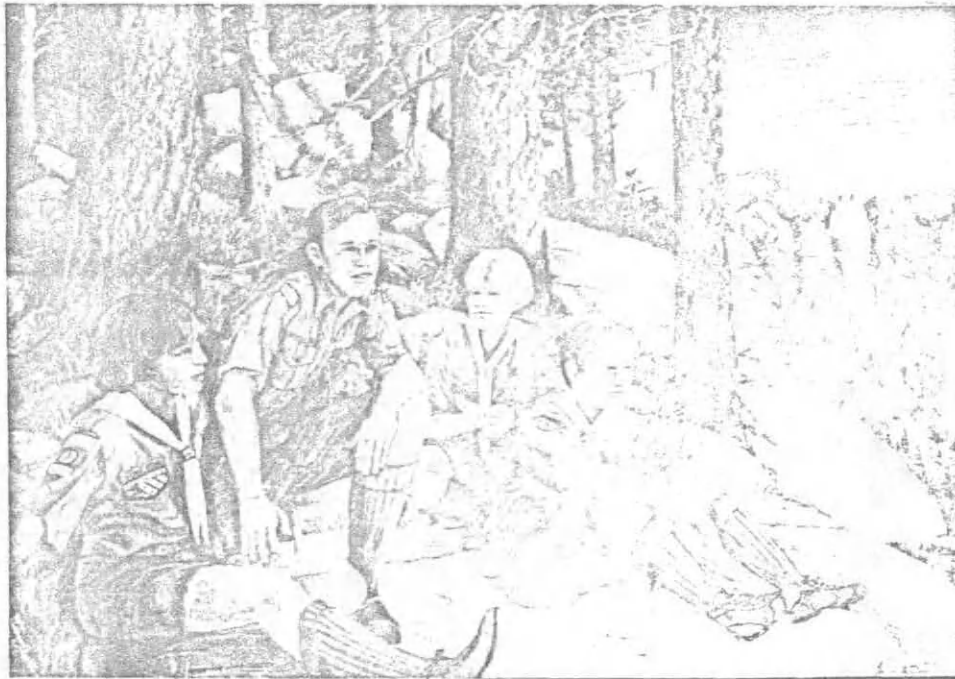


FIGURE 2-5d

FIRST SNOW (Oil, 40" x 30", 1980)



FIGURE 2-5e

GENERAL UMSTEAD (Oil, 30" x 24", 1981)



FIGURE 2-5f

An artist can establish several paintings as a personal comparison base. He/she can then judge future paintings against this beginning point and obtain a self-analysis of his/her own progress. It gives a more objective analysis than just a gut feel. In a sense, it gives a set of standards to achieve. If an artist does not evaluate each painting against certain objectives he/she could stagnate.

As indicated above, juried shows indicate how the artist is progressing because the judges use an internalized set of standards. Some are commonly accepted, such as proper balance and perspective; but others may be individual standards such as using two vanishing points. Figure 2-6 lists the desired outcomes or standards the author uses. These, of course, may be added to or refined as an artist prefers, and they would become personal measuring tools. They are similar to Frank McCarthy's and Quinton Gregory's.¹

DESIRED PAINTING OUTCOMES

- | | |
|----------------------------|---|
| a. Controlled light values | k. Unique technique |
| b. Natural colors | l. Appropriate range of light values |
| c. Balanced colors | m. Well proportioned figures |
| d. Dominant color theme | n. Well balanced composition |
| e. Dominant hands | o. More than one interest point |
| f. Dominant eyes | p. Loose technique--not cramped |
| g. Proper perspective | q. Correct shadows |
| h. Accurate plants | r. Correct light source/source followed |
| i. Accurate animals | s. Must have a powerful statement |
| j. Eye flows through | |

FIGURE 2-6

To determine a base, a painting from 1977 and two from 1978 were

¹Frank Storz, ed., The Western Paintings of Frank C. McCarthy (New York: Ballentine Books, 1974), introduction; and Quinton Gregory, Idaho artist, interview at Art Mart, McCall, Idaho, June 1978.

analyzed (Figures 2-7a, b and c). These three paintings cover a diverse range: people, landscapes, and technical subjects or still lifes. They also represent three typical paintings of this time period and meet many of the desired outcomes. A 1980 painting (Figure 2-8) is used for a more recent comparison. Figure 2-9 lists a self appraisal of each of these paintings and, on a scale of one to five, illustrates how well each met the desired outcomes, five being the best.

The quantitative comparison between current works and these works may also give an indication of the progress since 1977 and 1978. As shown, the painting in Figure 2-8 compares with the painting in Figure 2-7c. Though the 1980 painting did outscore the 1978 painting, the score may not be as important as the analysis.

By comparing a work to each of the 20 items in Figure 2-9, an artist can track how well he/she is doing in an area he/she may otherwise overlook. It causes him/her to think about what he/she did, plus it may spark new ideas. Thus it is a reminder list, so to speak, and yet it gives a set of goals to achieve. To emphasize again, the "standards" are interpreted differently by different evaluators; so again, their primary use is in serving as a "check list" for the artist who compiled them.

There is a drawback to using just a checklist because the overall quality a painting must possess is not necessarily the sum of the checklist parts. All the elements must work together to give a statement of emotions or feelings. If not, the piece is simply a decoration. Thus, the following descriptions of each painting could also be used as a further definition and base.

The Figure 2-7a painting, "Broken Circle by the Fire," is a large 48" x 24" oil of hunting gear and memorabilia. The painting is based on

BROKEN CIRCLE BY THE FIRE (Oil, 48" x 30", 1977)

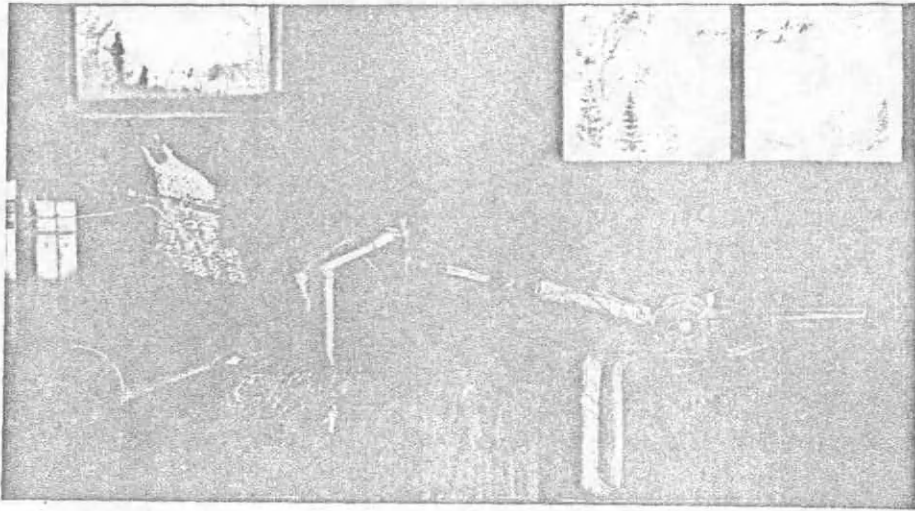


FIGURE 2-7a

STORY OF WHEN THE BEAR GRASS BLOOMS (Oil, 42" x 34", 1978)



FIGURE 2-7b

AUTUMN ELK (Oil, 36" x 24", 1978)

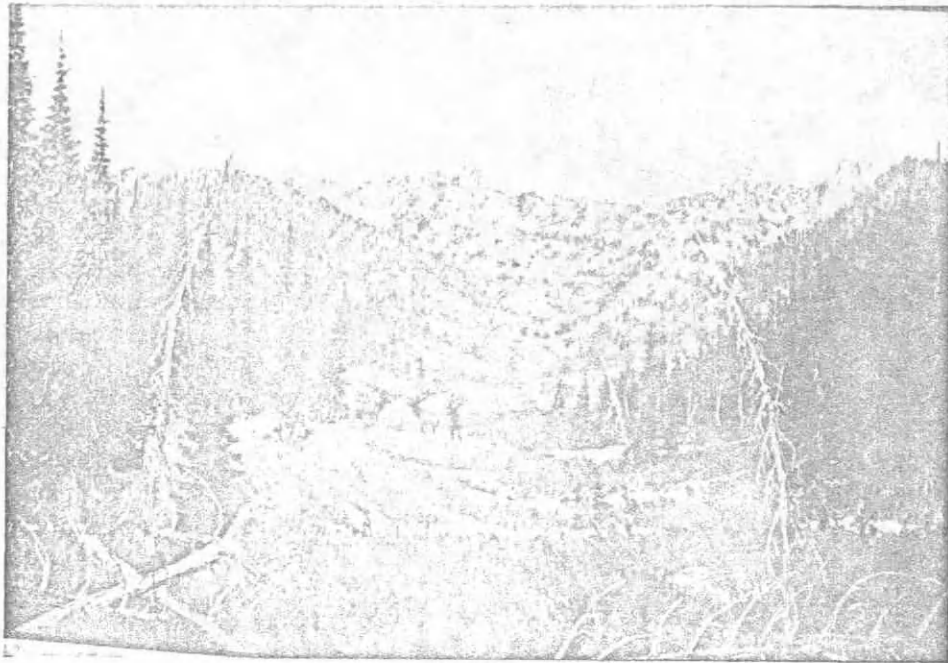


FIGURE 2-7c

EAST GAP (Oil, 36" x 24", 1980)



FIGURE 2-8

COMPARISON TO PAINTING STANDARDS

Desired Painting Outcomes	Painting Figure #			
	2-7a	2-7b	2-7c	2-8
controlled light values	3	3	4	3
appropriate light value range	4	3	5	3
natural colors	2	3	3	3
balanced colors	3	3	4	4
dominant color theme	4	4	4	4
well proportioned figures	NA	2	NA	NA
dominant hands	NA	1	NA	NA
dominant eyes	NA	1	NA	NA
tech accurate details	4	5	NA	NA
proper perspective	3	3	5	4
accurate animals	NA	NA	4	5
accurate plants	NA	3	4	4
well planned composition	4	3	3	3
more than one interest point	4	2	3	5
eye flows through	3	2	5	5
loose technique--not cramped	2	3	5	5
unique technique	2	3	4	4
correct shadows	5	4	2	3
correct light source--followed	5	4	2	4
powerful statement	2	3	2	3
TOTAL	50	55	59	62
AVERAGE	3.33	2.89	3.68	4.13

FIGURE 2-9

a collection of personal objects representing a hunter's life. The composition is unusual because it presents three vanishing points. The first is within the grouping of shotgun, rod, and vise; the second is the photograph of the hunter and his dog; and the third is the geese flying through a clouded evening sky. The light values control is very precise. A series of five rings were first sketched on the canvas, and colors were mixed for each area according to that area's light value. Thus the colors of objects darken as they recede to the painting's edges. The lighting is further complicated and enhanced by the shadows cast by a fire opposite the shelf. It's reflection is seen in the glass of the

photograph and the window. Furthermore, the fading sunlight is reflected from the frost on the windows. The overall detail is precise. To enhance these effects, glazes were washed over the painting to darken edges and shadows.

Weaknesses lie in the technique used to paint straight lines. They are not precise. The balance is somewhat broken in half due to the gap behind the vise, and the colors and detail in the sky could be more defined. Overall, however, most desired outcomes were met.

The second painting, "Story of When the Bear Grass Blooms," (Figure 2-7b) is an oil, 42" x 34". It depicts six Scouts and the Scoutmaster seated around a campfire at night.

Some of its better qualities deal with the use of light and shadows. The entire painting deals with balancing the moonlight with the campfire's light. Both warm and cool colors had to be carefully blended and controlled in order to retain the natural look and prevent garish results. The details in the Scout uniforms and plants are technically accurate.

The greatest weakness is the treatment of the figures. They are somewhat awkward and misproportioned. Balance is also somewhat weak. The people could be better grouped and on a more natural level with one another and the landscape. Nevertheless, this painting is a good base for comparing progress in depicting humans because it is the first work with figures which has sold.

The third painting, "Autumn Elk," an oil, 36" x 24", represents a more "standard" painting. It's "standard" because the author quite often paints a 36" x 24" canvas with a wildlife and landscape composition. This painting was done quickly, using a palette knife and steel wool combination technique. It was composed mentally, then sketched prior to work.

As a result, it is very spontaneous and fluid.

The light values were also carefully controlled. Each value was premixed and preserved over the entire working time. Thus, no colors had to be rematched and light values were kept correct on the proper place. As a result, this technique produced a real sense of depth.

There is some lack of well defined foreground shadows. Also some detail is lost through this style. However, John Segasman, a well-known Montana artist, critiqued this technique as one of the author's strongest points.¹

In addition to these three paintings which now provide a base for working ahead and improving, other artists' paintings could be used as a "goal." This goal is not one of matching painting to painting, but one for comparing the degree of finish, technical ability, detail and accuracy of figures, and the desired outcomes the author is striving to master. Of course it would defeat the purpose of art to simply copy another's works. Instead, another artist's paintings show styles, spirit and other intangible factors which are blended with his/her own technical skills to produce his/her own personal "signature." Each artist can only receive insight into how he/she may reach his/her personal goals by examining how other artists have reached theirs. This type of study is important and recommended by many great art instructors.² Artists whom the author has particularly studied and is influenced by are listed in Figure 2-10.

Current works do not approach the quality of these artists; instead,

¹John Segasman, critique at Rainbow Art Gallery, Great Falls, Montana, June 1978.

²George Roberts, "George Demont Otis: Western Impressionist," American Artist 43 (November 1979): 74, 109.

they are a source of inspiration and challenge. They present a "goal" and are valuable teachers.

ADMIRED ARTISTS

Albert Bierdstadt	Vincent Van Gogh
Frank McCarthy	Charles Russell
Donna Fiedler	Norman Rockwell
Quinton Gregory	Maxfield Parrish
Frederic Edwin Church	

FIGURE 2-10

In summary then, the base comparisons are a beginning point. Future art works will be measured against the standards they depict. Of course each painting in itself provides a lesson in art and can be improved. Therefore, the real value of these three paintings is in using them as a starting base--a point in time when the author knows where he is. He now evaluates this position and depending on how he likes what he sees, he develops future goals and the direction in which he wishes to progress. This tool can be applied similarly by any artist.

2. Service Career Goals and Art Education Goals

An earlier assumption stated that the author must obtain sufficient art training and expertise to raise the market value of his paintings. This section deals with personal goals for achieving these objectives while still pursuing a military career.

There are very few assignments in the Air Force during which a person would have sufficient opportunity to obtain formal art training. This is logical because there is little need for Air Force officers to be artists. Though there are two officer teaching positions in art at the Air

Force Academy, little else exists. Consequently, there is no formal method for obtaining an art education through the Air Force. Art education is up to the individual and available only during off-time.

There are a few Air Force assignments which could provide sufficient off-time for an individual to earn his degree in art, but they have other disadvantages. The author must be promoted to major to guarantee a twenty year career. Consequently, he must seek out good, higher, and more responsible jobs. In turn this causes conflict with training for a future art career. However this conflict is not great enough to prevent success.

Formal art education in the form of a degree may not be necessary if night classes and short courses can be taken. These courses could enhance the author's abilities and provide sufficient training for continued growth. Of course, when possible the author will pursue a degree program. Short courses and night classes constitutes the education course the author will presently pursue.

3. Desired Life Experiences

As previously stated, "An artist draws from his experiences to produce his art works." An earlier hypothesis stated, "A military life or second occupation does not necessarily hinder nor stymie the creative ability of a person. On the contrary, it can enhance his/her ability." This is supported because the artist is exposed to various experiences. For these reasons an artist should try to experience a wide variety of events. Similar to a writer who increases his/her vocabulary, the artist who increases his/her experiences gives him/herself invaluable inspiration upon which to draw.

Based on this premise the author developed a list of desired

experiences (Figure 2-11). (Other artists could develop similar lists.) The author's list is similar to a personal goals list; however, the experiences are planned to evoke emotions other than just the sense of achievement provided by reaching a goal. For this reason, not all the experiences are joyful ones; however, they should provide insights other artists won't necessarily have. Furthermore, many of these experiences can be worked on constantly without formally setting aside time. In short, they are designed to increase sensitivity, attention to detail, and an overall awareness. They are intended to keep the author "young" with a childlike vision of wonderment.

DESIRED EXPERIENCES

People Experiences

- * become more involved with people
- * work extensively with youth - Boy Scouts
 - take on a civic leadership position
 - work with drug rehabilitation programs
 - visit prisoners
- * visit old people as often as possible
- * visit a poor family, know them
- * live in a city
 - visit a city slum
- * experience poverty (limit spending)
- * experience hunger
 - allow bad treatment
- * totally serve another person
 - help people whenever possible

Adventure

- hike solo for 150 miles
- prospect solo for 30 days
- learn to fly
- travel in space
- learn astral travel
- live in total darkness for a week
- disguise myself and be another person
- wear a mask
- be deaf for a day
- be blind for a day

DESIRED EXPERIENCES (Cont'd)

Adventure

- learn to hunt with bow and arrow
- travel into the earth
- * read adventure stories
- travel with a policeman
- fight a fire
- pretend to be drunk
- * learn rappelling and rock climbing
- learn soaring
- read old books
- explore the past
- * play the "do it different" game
- * canoe white water

Places

- * visit lonely places
- * visit places at night, early morning
- * visit cemeteries
- * visit different churches
- live in Alaska
- travel to South America
- travel to Europe
- visit bars
- * attend parties
- * visit museums wherever possible
- * visit high places
- * explore the back roads

Goals

- write a book on activities which "draw from within"
- every day, every minute, strive for a better awareness of surroundings
- get Master of Fine Arts
- * write a book on growing up
- * teach at United States Air Force Academy
- build E-da-how Art Treasures
- teach high school
- be a high school ski coach
- write songs
- * get married
- * raise a family
- become a highly successful artist
- get gemology degree
- * find and stake gold and gem claims
- facet a gemstone chess set
- learn sign language
- write a book on creative activities

DESIRED EXPERIENCES (Cont'd)

Goals

- * raise different animals
- master photography

Knowledge

- * study gemstones
- * study minerals and micromounts
- * study artists' lives
- * study counseling
- learn music composition
- control my dreams
- make sleep time productive
- * study animals
- * study plants
- study photography
- discover a cure for cancer

NOTE: Though many of the enumerated experiences are on-going, * identifies those which have been satisfactorily accomplished or experienced since they were compiled in 1978.

FIGURE 2-11

4. Artist Psychology, Selected Artists'Lives and Techniques

This section is a general analysis of the artist psychology, and it presents a broad look at selected artists, their techniques and their lives. Basically, the artist psychology portion deals with the qualities, or prerequisites for being a successful artist. The section on selected artists' lives attempts to identify broad success-yielding traits, as well as techniques and events which influenced the lives of these artists.

Overall, this section tries to identify how selected artists became successful. In turn then, it will provide insight into what an aspiring artist could do in order to achieve success. By studying artists' lives,

an aspiring artist can avoid mistakes and identify goals for which to strive. Thus, another person can use other artists' educations. Overall though, the section can only present a very general idea in these respects, and its intent is only to show what tools the author or any artist has available to educate him/herself and how this can help him/her grow.

Artist Psychology

The term artist psychology really addresses the creative personality, but it needs to be considered in order to clarify what qualities it takes to be an artist. According to trait theory, a person either has or doesn't have artistic qualities--they are born artists. In one respect, this is true; however, this study submits that art skills can be learned--and are.

While the author is willing to agree that some artistic characteristics are inherent, it is also evident that the personality is developed and hence "learned" from birth. Thus in a sense even the creative personality can be learned, for inherent qualities must be trained and developed. The key point is that the creative personality provides the motivation, or drive, to constantly create. Without this drive it is doubtful if anyone could become a successful artist.¹

Recently there has been more emphasis on the creative personality, more attempts to analyze it, and several efforts to identify a list of artistic traits. Figure 2-12 depicts some of these which have emerged as creative personality traits.²

¹Roberts, American Artist, p. 74.

²Eugene Raudsepp and George P. Hough Jr., Creative Growth Games (New York: Jove Publications, 1977), pp. 4-5; Biondi and Parnes, pp. 9-10; J.P. Guilford, Way Beyond the I.Q. (Buffalo, New York:

CREATIVE PERSONALITY TRAITS

<u>Child-like</u>	<u>Adult-like</u>
. excitable spontaneous	. less excitable/reserved
. wonder/curious	. satisfied/content
. day dreamer	
. independent	. socially dependent/active
. energetic/productive	. leisurely
. stubborn	
. short tempered	. cool/calm
. irritative	
. not bothered by rules	. sticks to rules
. highly perceptive of emotions/ body language	. misreads emotions/body language
. emotional/sensitive	. hides emotions
. little self concern cleanliness/ clothes	. self centered/very conscious clothes/grooming
. cluttered	. neat/overly organized
. irresponsible	. responsible
. zealous convictions/right/wrong/ wrong/fairness	. bends rules
. wide interests/exploratory	. set interests/limited
. unconventional	. conventional/habitual
. non-judgemental	. judgemental

FIGURE 2-12

There are some interesting findings concerning lists such as these. Creative people tend to be more "child like." They have not lost that wonderment, curiosity, or eagerness they had as children. They're easily fascinated or captivated by their surroundings. They see beyond the obvious and usually pick-up on interesting details.¹

Creative Education Foundation in association with Creative Synergetic Associates, 1977), pp. 167-176; Donald W. MacKinnon, In Search of Human Effectiveness (Buffalo, New York: Creative Education Foundation in association with Creative Synergetic Associates, 1978), pp. 78-80; Murella A. Bosse, "Do Creative Children Behave Differently?" Journal of Creative Behavior 13 (2nd Quarter 1979): 119-126; and Alicia L. Pagano, "Learning and Creativity," Journal of Creative Behavior 13 (2nd Quarter 1979): 127-137.

¹Raudsepp and Hough, pp. 4-7.

It's also apparent from this list that the creative personality does not apply solely to artists. Though artists may tend to show more of the creative traits and be somewhat stronger in some areas, it should be obvious that good managers, teachers, leaders, writers, speakers, musicians, and so on, all display strong creative personalities. Artistic ability is only one aspect of the creative personality.¹

The most significant difference between the creative personality and the less creative personality can be seen by examining Figure 2-12. The key difference is between "child like" versus "adult like" traits. Simply, the adult applies judgement--the child does not--at least not immediately. What this means is that the creative person can suspend judgement and brainstorm ideas. He then applies judgement afterwards. The creative person does not stymie or kill his own or other people's ideas.²

The second key factor, mentioned earlier, is that creative people are never satisfied. For some reason they nurture a drive to express themselves through their work. Thus, many artists say they have no choice about being artists--they are "cursed" to create. In fact, they may become extremely frustrated if they can't create.³

Successful Artists' Traits, Styles and Techniques

This section addresses the traits of successful artists and briefly compares them to the author. Successful artists' styles and techniques and how they developed these styles are also addressed. Areas in which the author can improve are also pointed out.

¹Karl Albrecht, Brain Power (Englewood Cliffs, New Jersey: Prentice-Hall, 1980), pp. 7, 125, 212.

²MacKinnon, pp. 47-49, 194-195.

³Ibid., p. 51; and Guilford, p. 161.

If it is possible to determine a person's successful qualities and then in some way reproduce these in another person, that other person can theoretically become successful. The same holds true for outstanding art. If someone can identify the things--techniques and qualities--that make an art piece good and can again reproduce these principles, then theoretically they also can produce a good work. Based on this premise, a person should identify, learn, and develop these traits.

A few well known artists who produced highly successful art were selected for this study and are listed in Figure 2-13. These artists were technical experts in terms of their styles. Such styles did not just accidentally develop, they evolved throughout the lifetimes of the artists. For example, Picasso painted very detailed refined works as a young man, but he continually changed styles, polishing, exploring, and developing until he produced the characteristic abstract style for which he is most famous.¹

SELECTED SUCCESSFUL ARTISTS

Vincent Van Gogh	Andrew Wyeth
Pablo Picasso	Charles Russell
Norman Rockwell	Winslow Homer

FIGURE 2-13

Most artists did not change styles as dramatically as Picasso, but they all progressed with their styles, refusing to stagnate. For example, Russell's early works were flat and the figures lacked dimensions, but his later paintings used a much looser style with a great deal of depth.

¹Lael Wertenbaker, The World of Picasso 1881-1973 Time-Life Books (Alexandria, Virginia: Time-Life Books, 1967), pp. 16-26.

Each artist can be identified by his style. It becomes his signature. Thus Russell accurately portrayed the cowboy and Indian in such technically precise detail that historians reference his works.¹ Remington also was noted for historical preciseness,² while Norman Rockwell painted to capture the American spirit and its everyday humor. Wyeth painted the people of Charles Ford, Pennsylvania, and Cushing, Maine. Yet all these artists succeeded by perfecting their own distinctive style.

The most striking trait is that the styles of these artists became progressively more expressive. These artists didn't learn their styles simply from books or art classes. There were no pat answers. There were no singularly distinctive changes which resulted in their "signature" style. Instead they learned it by application. Essentially it was a process of refinement over many canvases by applying what they studied and by critically examining each canvas.

It's important to reemphasize that the most significant factor is not the training, or life span, or uniqueness of style, but it is the constant study and production. Russell produced a thousand. Rockwell produced a couple of thousand. Wyeth produced a thousand. Picasso produced unknown thousands; and Van Gogh probably produced more than Picasso, sometimes as many as 12 a day.

Production is a major area where the author is currently lacking. Though many lessons can be learned from studies, there is apparently no substitute for application for evolving a style. The author will increase his production to that shown in Figure 2-20 which, in turn, should help

¹Louis Chapin, Charles M. Russell: Paintings of the Old American West (New York: Crown Publishers, 1978), pp. 34, 36, 48, 72.

²Don Hedgpeth, The Art of Frederic Remington (Cody, Wyoming: The Buffalo Bill Memorial Association, 1974), pp. 7-10.

him refine his style.

Another influence on an artist's success would be uncontrollable events in his/her life (Figure 2-14). Consequently an analysis was made of common events or experiences running through the lives of the artists selected for study. Since the listed events seem to hit the emotions hard, they evoke inspiration, sadness, joy, or frustration. If anything, this may be the common thread.

SIGNIFICANT EMOTIONAL EVENTS

war	theft
death in the family	crimes
loss of a loved one	loss of material wealth
loss of spouse	sickness
gain of love	sudden success
natural disasters, fire, floods	affects by other people

FIGURE 2-14

When Charlie Russell saw the passing of the open range he painted with a renewed frenzie. He so-loved the cowboy's life style it grieved him greatly to see it pass. He painted incessantly trying to capture and pass on the memories he lived.¹

Norman Rockwell provides another example of an artist inspired by the events of his time. He loved the everyday little person of life--the neighbor in us all--the comedy of us all. He searched out the little vignettes of decent human nature and portrayed them. His most frustrating experience was seeing increasing crime, decreasing innocence, and lessening morality. He worked continuously to capture the optimistic

¹Chapin, p. 6.

side of life.¹

Every great artist was certainly marked by uncontrollable events of life. They best portrayed the history and events of their times. In this respect then, one may say that an artist is controlled by events. Conversely, controllable events can be used to impact artistic development. Figure 2-15 lists some examples.

CONTROLLABLE EVENTS

self promotion, building a reputation
 art training and education
 showing at art shows
 choosing where to live
 choosing market place
 using/choosing galleries
 one-man exhibitions

FIGURE 2-15

By studying recent artists, it appears that today many are concerned with controllable factors, and indeed attempt to use them to help influence their success. This is unfortunate in some respects. Classical artists paint only to express themselves and to try to communicate their statement. They do not compromise their artistic nature or drive. They simply fulfill their frustrations by creating.

For obvious reasons the purely traditional approach to art is somewhat lacking today. The artists who "made it" in years past were the survivors of the fittest. They didn't hang up the brushes when the going got tough. And there were those who literally did starve to death.

The greatest painters painted because they were driven to paint. For

¹Norman Rockwell, Rockwell on Rockwell, with a Foreword by Alden Hatch (New York: Watson-Guption Publications, 1979), pp. 9-13.

example, Charlie Russell had very little art education or training in school technique per se.¹ Thus, in respect to formal art philosophy, he wasn't a technically good painter. But that didn't matter. His style evolved beautifully, as pointed out above, simply because he was compelled to paint and to communicate his statement.

Charlie Russell's success came partially, not through his own endeavors--he was delighted with hanging his paintings in bars or simply giving them away²--but because his wife saw their importance and promoted him "back East!"

Today, however, some artists are at the opposite extreme and try to use promotions to "make it." Some perhaps, are not as great as their promotions suggest and are partly a product of their advertising. Even so, the more talented artists whose works endure, continue to produce despite all hardships. Consequently they are not concerned with promoting their works, and because of the fierce competition, they quite often go unknown or "undiscovered" during their entire lives. It's only late in life or after their deaths that these artists become "discovered"--simply because they didn't catch on. Because of this new promotional aspect then, American society may be overlooking and losing some of her truly great artists, at least during part of their life time.

Controllable factors are important to artists and play a major part in marketing art. In later parts of this study, plans to use some of the controllable events will be covered.

By studying the lives of famous artists, it appears that there were

¹Chapin, pp. 5, 6.

²Edward S. Barnard, ed., Story of the Great American West (Pleasantville, New York: The Reader's Digest Association, 1977), pp. 300-301.

no uncontrollable events which were essential to enhance success. Certainly many events evoked strong emotions which led to powerful statements by the artists. However, because of the creative personality, most artists can observe and experience these emotions if they've sensitized themselves. Finally, though uncontrollable events evoke the strongest and purest emotions, they're also the most dangerous. Vincent Van Gogh eventually committed suicide because of the uncontrollable frustrations with human events.¹

5. Developing An Optimal Style

One objective inherent to the artist psychology is the drive to become more expressive with a particular style. Many artists establish personal style as a formal goal and closely measure their progress, much the same as described above. An artist's optimal style, of course, would never be achieved in spite of extensive efforts because he/she should continuously progress and should never settle for just one style. This section identifies a realistic painting style which is the author's current style, and it describes some objectives for improving it.

A very sharply detailed, yet expressive style--one which sets a tone or mood and captures explicitly the natural world--has been sought. After carefully studying the base paintings (Figures 2-7a, b, c) some style weaknesses became evident. Style is weak because the paintings tend to be too cramped, and they do not flow freely. Some areas appear overworked and not spontaneous. Even though considerable progress has been made in using correct light values and colors, these aspects are also

¹Robert Wallace, The World of Van Gogh 1853-1890, Time-Life Books (New York: Time-Life Books, 1969), pp. 31, 180-181.

still weak. The colors are too brilliant to be naturally accurate and the light values do not have a sufficient range. For review, Figure 2-9 shows many other objectives which have not yet been fully met.

More significantly, and probably the most fundamental reason style has not progressed as greatly is due to a viewer perception principle. The described style is a realistic one which tends to reflect what is seen--like a photograph. Because of the human perception principle called recognition, viewers don't struggle with this style of painting. They aren't forced to interpret any statement.

Recognition is defined as the principle which allows a person to perceive data and immediately know what it is because of prior stored experiences and knowledge. Without this ability a person would be lost. A person would be severely restricted in perceiving anything new because each time one would start over, testing the perceived object or situation, judging it, and deciding what it is.¹

This is a major problem with realistic paintings: viewers see a painting such as in Figure 2-16, recognize it easily as a cabin in the snow, and move on! Because of recognition, they fail to see anything else. They don't have to work with the painting because there is no challenge or statement. People are naturally "too lazy" to ask, "What is the artist trying to say?" Because of this phenomenon, the artist has failed. Though the artist may have expressed his/her statement artistically and technically well, he/she has failed to communicate it because the viewers haven't found it.

"Homestead and Snow," Figure 2-16, can help illustrate such a problem. The painting goes beyond a picture of a cabin. The homesteader's

¹Albrecht, pp. 131-133

dreams didn't come true. The environment, though beautiful, destroyed the owner's hopes. (If the dreams had come true, the cabin would have been replaced by a more modern home.) The cabin itself is typical of the quickly built homestead cabins.

There is also a statement about life. By studying the tracks in the snow a viewer can see another story. A fox passed by recently, during the day--the tracks haven't filled with drifting snow. Since a fox normally hunts at night, this means he hasn't been successful. Also his tracks don't wander about the cattails where food is most likely, but continue on, indicating he's been gone awhile from his normal haunt. More subtly, they pass the cabin by, shunning the place where there once was life.

HOMESTEAD AND SNOW (Oil, 36" x 24", 1979)

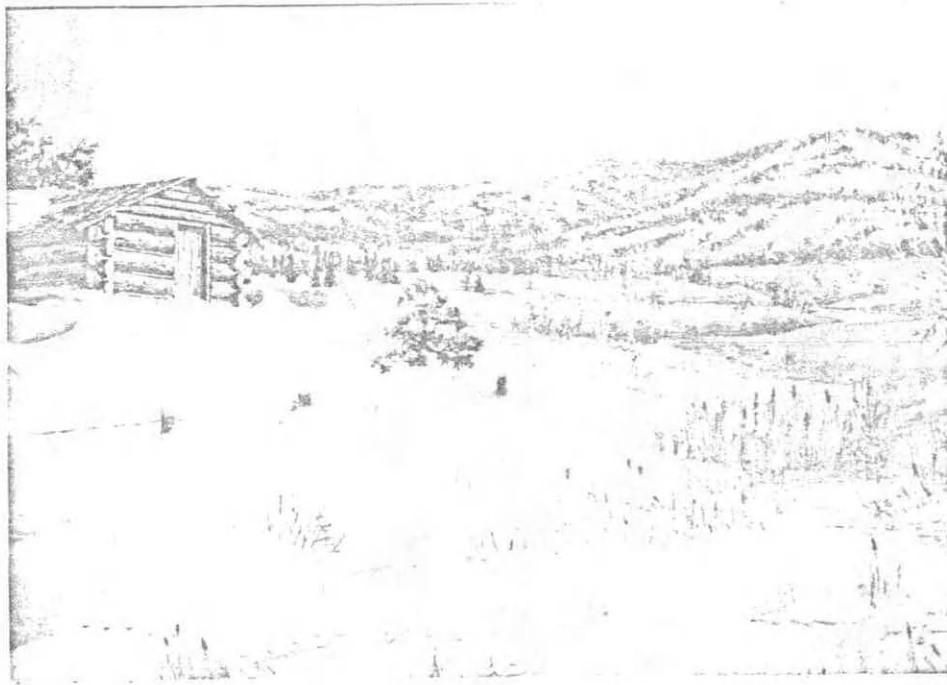


FIGURE 2-16

Finally, there is the statement of the country and its beauty. Since this is the first recognizable statement, most people think to themselves, "that's nice," and move on, giving the painting only a cursory glance--and why not? Having made sense of it, they can move on; and the artist has failed to communicate his/her statement.

Because of this problem caused by this perception principle, the author is trying to change his style to one which is bolder, freer, and more expressive. It must be a style which challenges and forces the viewer to work. As a result, the viewer must participate in the statement. Hopefully he/she will then see beyond the depicted scene and be challenged to discover other meanings.

To develop this style, palette knives will continue to be used. This is primarily because palette knives force an artist to apply sheets and spots of color whereas paint brushes force an artist to blend colors and edges. As a result, palette knives loosen up edges and break up objects. They produce an abstract quality, which forces the eye to blend colors and edges to interpret the subject. Consequently, the viewer has to work to see, and thus he/she participates.

Another tool which is helpful in loosening up style is steel wool. With the steel bristles dipped in paint one can quickly draw many blades of grass, for example. It can also be used like a brush. Yet it doesn't blend the edges like a brush, and it leaves a textured effect which tends to be interesting and stimulating.

In addition to palette knives and steel wool, foam rubber is also useful. Foam doesn't leave the sharp edge the palette knife leaves; yet it still doesn't blend the edges like a brush. As a result, the artist is still forced to apply spots of color in a way which continues to

challenge the viewer.

Another method to strengthen a painting's impact is to stress detail in only the most expressive areas of a painting. For example, the level of finish (detail) would be much greater for a person's face and hands because these features express most vividly a person's emotions. The less expressive features would be blocked in with broad strokes giving added spontaneity. Similarly, for wildlife and landscapes, only prominent peaks, trees, and animals would be detailed and highlighted. Consequently, with the looser background, these objects stand out much more vividly and command the viewer's attention.

In addition, visual impact can be increased by using larger areas of sky, water, mist, and snow. These features add white space much like the white space in a newspaper advertisement. Such areas provide balance to a composition and enhance detail in central subjects. They also tend to add freeness and simplicity. This results in more room in the painting for the eye to move about and the composition flows.

Finally, the statement can be exaggerated through painting size. With larger canvases, not only is the visual impact greater, but the larger canvases can more easily treat landscapes. Because the paintings are larger, they attract attention. It is hard not to take a second look!

These concepts are a starting point from which the author can develop an optimal style. Just as importantly, they present concepts useful to other artists in helping them establish similar improvement tools. The potential problem caused by the perception principle recognition was also addressed and can be helpful in understanding how potential customers react to a realistic style. Two paintings, "First Snow," Figure 2-1, and "Siskoal Song," Figure 2-17, reflect application of some of these style

changing concepts.

SISKOAL SONG (Oil, 48" x 36", 1979) (detail)



FIGURE 2-17

6. Production and Promotion Plan

One of the main findings in the above analysis of artists' lives is that they produced numerous works. Often an aspiring artist has conflicts between trying to "break in" and make it as an artist and trying to maintain a reasonable standard of living by working at another occupation. Even though the second job does not decrease creativity or artistic ability, it competes in terms of production time. As a result many aspiring artists' production is not sufficient to carry them to success. This section presents controllable factors which could become methods for helping such an artist achieve a quality production which is both effective

and which results in personal growth.

Production Plans and Show Plans

Two somewhat controllable factors are the number of competitive shows entered and the number of works produced. Although artists generally don't like the idea of promoting themselves or of producing just to produce, they now see this as a necessary evil subordinate to success in today's art market. However, today, promotion is also a responsibility. As people purchase works, the artist is obligated to continue to progress since the works are now his/her purchasers' "investments." The artist (and merchant) owes his/her customers this effort.¹ One way to accomplish such growth is through participation in competitive shows, as well as in one-man shows that are either self or gallery sponsored. The second way is by continuing to produce quality works.

Probably the best method for an artist to promote his/her works is to "break in" to the art market by having a gallery actively promote his/her works. According to Carole Katchen, author of Promoting and Selling Your Art, "The gallery is the center of the art market. It is possible for an artist to be financially successful without gallery affiliations. However, to achieve wide public recognition and acceptance of one's work, galleries are essential."² Therefore rather than relying solely on self-promotion through juried shows and self-sponsored one-man shows an artist should seek out a gallery which will help promote the artist. Indeed the gallery can sponsor an artist and carry him/her into the art market.

An artist should not push him/herself into a gallery too early,

¹Carole Katchen, Promoting and Selling Your Art (New York: Watson-Guptill Publications, 1978), pp. 60, 65, 157.

²Ibid., p. 100.

however. As Ramon Kelley points out, "Once you are in galleries that are successfully selling your work, there is so much pressure to be producing salable work that you can lose your creativity." He also states that one can get ". . .trapped into turning out paintings, not creating them." He points out an artist should begin with mall shows, bank shows, and sidewalk shows. He goes on to say that an artist should begin with very low prices in order to "sell more and to build up a following of collectors who are interested in his work." After this an artist should affiliate him/herself with an art gallery.¹

Carole Katchen also points out this danger: "The greatest danger is letting the gallery have too much influence on your career. You create what they like."²

Despite these short comings, the best method for receiving national recognition is through the gallery. But the artist must be ready. For these reasons gallery affiliation was added as a show goal.

As an example of self promotion, the author's 1978 targeted annual shows and annual production are listed in Figure 2-18.

The artist should of course feel free to adjust these goals to meet the changing market and other requirements. However as with most objectives, the goals would serve little purpose if they were not seriously used. Therefore it is recommended they be reviewed and adjusted annually. For example, Figure 2-19 shows actual production and show participation since 1978. Figure 2-20 shows the revised annual production goals, and Figure 2-21 lists a proposed annual show and gallery schedule.

¹Ramon Kelley and Mary Carroll Nelson, Ramon Kelley Paints Portraits and Figures (New York: Watson-Guption Publications, 1977), pp. 49, 50.

²Katchen, p. 114.

TARGETED ANNUAL SHOWS AND PRODUCTION

Annual Shows

1. Hold one, one-man show with 25-30 works.
2. Enter two juried shows.
3. Participate in two mall shows or "art in the park" type activities.

Annual Production

1. Produce 10 new Christmas cards, 250 each, 50 painted, 200 printed.
2. Produce one new series of postalests, 5 designs, 200 printed.
3. Complete 12 major paintings, 36" x 24".
4. Practice or study art two hours per day.

FIGURE 2-18

The targeted production goals established in 1978 were nearly met in terms of square inches, but not canvases. Therefore in 1981 new objectives were established which incorporated the change from solely 36" x 24" paintings to larger ones. Annual shows were also increased in an attempt to further promotion and sales, and gallery affiliation was added.

ACTUAL PRODUCTION AND SHOWS 1978-1981

<u>1978 Actual Production</u>			
<u>Title</u>	<u>Medium</u>	<u>Size</u>	<u>Total Square Inches</u>
Minuteman Duty	Acrylic	96" x 48"	4,608
Story of When the Bear Grass Blooms	Oil	42" x 34"	1,428
The Vision Seekers	Acrylic	48" x 36"	1,728

FIGURE 2-19

ACTUAL PRODUCTION AND SHOWS 1978-1981 (Cont'd)

1978 Actual Production

Title	Medium	Size	Total Square Inches
Autumn Elk	Oil	36" x 24"	864
The Brave Shall Inherit the Stars	Acrylic	30" x 24"	720
The Watchers	Oil	36" x 24"	864
Total 6			10,212

10 Christmas card designs, 55 painted, 176 printed

Actual Shows

None

1979 Actual Production

Title	Medium	Size	Total Square Inches
Siskoal Song	Oil	48" x 36"	1,728
Cardboard Airplane	Oil	40" x 36"	1,440
Homestead and Snow	Oil	36" x 24"	864
Snow and White Tail	Oil	36" x 24"	864
The Spruce Seep	Oil	36" x 24"	864
Strange Visitors	Oil	36" x 24"	864
Panama City Beach	Oil	36" x 24"	864
Midnight Elk	Oil	30" x 24"	720
Eagle Over Ulm	Oil	30" x 24"	720
Castle Peak	Oil	30" x 24"	720
Total 10			9,648

12 Christmas card designs, 55 painted, 350 printed

Actual Shows

February	Montgomery Museum of Fine Arts, juried show
April	Eastdale Mall Show
June	Montgomery Art Guild, Seminar 79, juried show
September	Alabama State Bank, Montgomery Art Guild, juried show
October	Montgomery Mall Show

1980 Actual Production

Title	Medium	Size	Total Square Inches
SOS Bulls	Acrylic	138" x 96"	13,248
Story for When the Sun Goes	Oil	48" x 36"	1,728

FIGURE 2-19

ACTUAL PRODUCTION AND SHOWS 1978-1981 (Cont'd)

1980 Actual Production

<u>Title</u>	<u>Medium</u>	<u>Size</u>	<u>Total Square Inches</u>
First Snow	Oil	40" x 36"	1,440
East Gap	Oil	36" x 24"	864
Northern By-Pass Swamp	Oil	36" x 24"	864
Northern Lights Going Home	Oil	36" x 24"	864
Red Oaks	Oil	30" x 24"	720
Total 7			19,732

10 Christmas card designs, 35 painted, 300 printed

Actual Shows

January	One-man show, Maxwell AFB AL
February	Montgomery Museum of Fine Arts, juried show
April	Eastdale Mall Show
September	Alabama State Bank, juried show
November	Montgomery Mall Show

1981 Actual Production

<u>Title</u>	<u>Medium</u>	<u>Size</u>	<u>Total Square Inches</u>
Vision Seeker	Acrylic	40" x 36"	1,440
Allenstein	Oil	36" x 24"	864
Gen Umstead	Oil	30" x 24"	720
Total 3			3,024

Actual Shows

January	One-man show, Maxwell AFB AL
---------	------------------------------

NOTE: Actual production for 1981 is expected to double by the end of the year.

FIGURE 2-19

ADJUSTED PRODUCTION ANNUAL GOALS

1. Complete two 48" x 36" oil paintings.
2. Complete ten 36" x 24" oil paintings.
3. Produce 10 new Christmas cards, 255 each, 35 painted, 220 printed.
4. Practice and study art two hours per day. (This is in addition to time spent painting.)

FIGURE 2-20

ADJUSTED SHOW SCHEDULE AND GOALS

1. Hold annual one-man show of 30-35 works each March.
2. Hold in-house show. Invite clientele to home for private showing each October.
3. Participate in one mall show.
4. Enter three juried shows.
5. Become affiliated with a gallery.

FIGURE 2-21

7. Summary

Some very difficult problems and conflicting ideas have been addressed in an effort to show how the author and other artists can analyze their potential to break in and to help them develop a plan to do so. The research provided a base from which to work and an analysis of progress and potential. It explored the basic question of whether or not a working artist who has not been able to devote all effort to art could succeed as an artist.

It attempted to show that an individual who possesses a creative personality will have the drive to continue to work to succeed as an artist despite numerous obstacles and that the creative personality is fundamental to success as an artist. Secondly it showed one common thread among successful artists is their numerous works.

In addition, several methods to analyze and improve style and abilities were identified. Though formal art training is highly desirable, an aspiring artist can develop his/her own abilities through night classes and a self-study program.

In pursuing a similar study as presented above, an artist can expect

increased market prices and demand as skills are improved. As a result he/she could eventually turn to art full time.

CHAPTER III

LOCATION AND PHYSICAL CONSTRUCTION PLAN

The appropriate building and its location are vitally important factors to establishing a profitable art center such as E-da-how Art Treasures. These aspects, as well as proposed floor plans and the physical requirements for the construction of the sub-shops are analyzed in chapter 3. The building requirements for E-da-how have been based on like-structures, and the data and principles used below should be useful in establishing similar art centers. Therefore in addition to showing the feasibility for establishing E-da-how, these concepts should be a good guide for prospective art gallery, framing shop, or art supply store owners.

1. Location Analysis

A key reason art galleries fail is poor location. Thus this section deals with factors considered in choosing the building site. It also presents reasons why McCall, Idaho, is a good location though this will be further supported through the marketing analysis in chapter 4. The first section discusses the general geographical location and the specific location within the city.

McCall, Idaho

McCall is located near the center of Idaho's western border. It's

about 180 miles south of Lewiston, Idaho, and 105 miles north of Boise, Idaho. There are no other major cities near McCall and there is no east or west traffic artery. McCall is located on the western border of 4.5 million acres of wilderness and is cut off from cities to the west by the Snake River canyon. To travel west, a person must either travel north of McCall 150 miles or south 110 miles to go around the Snake River canyon.¹ As a result, travelers going north or south through Idaho find McCall a natural stopping place (Figure 3-1). Unfortunately the geographical features exclude travelers going east or west across Idaho.

McCall is located on Payette Lake in the heart of wilderness and, consequently, is an outdoor recreation area. Thousands of people visit in order to swim, golf, hike, boat, fish, and relax during the summer. Winter visitors have two ski hills to choose between, and in the fall many hunt big game.

The traffic flow through McCall is via a single artery, Highway 55. Although the traffic density is fairly constant throughout the city, it tends to center around three business districts: downtown, airport, and Shore Lodge² (Figure 3-2).

McCall Business Districts Comparisons

The downtown area is the major commercial district and contains about 50% of the offices and retail businesses. Both major department stores are located there, as are a hardware store, a furniture store, a building supply center, a drug store, and a sports center. The city offices, the library, police and fire departments, post office, Forest

¹Highway 95 passes 11 miles west of McCall, through New Meadows, but is not as heavily traveled as Highway 55.

²City of McCall (Idaho) Transportation Department Fact Sheet, "Transportation and Circulation, Highway 55," 1979.

LOCATION OF McCALL, IDAHO

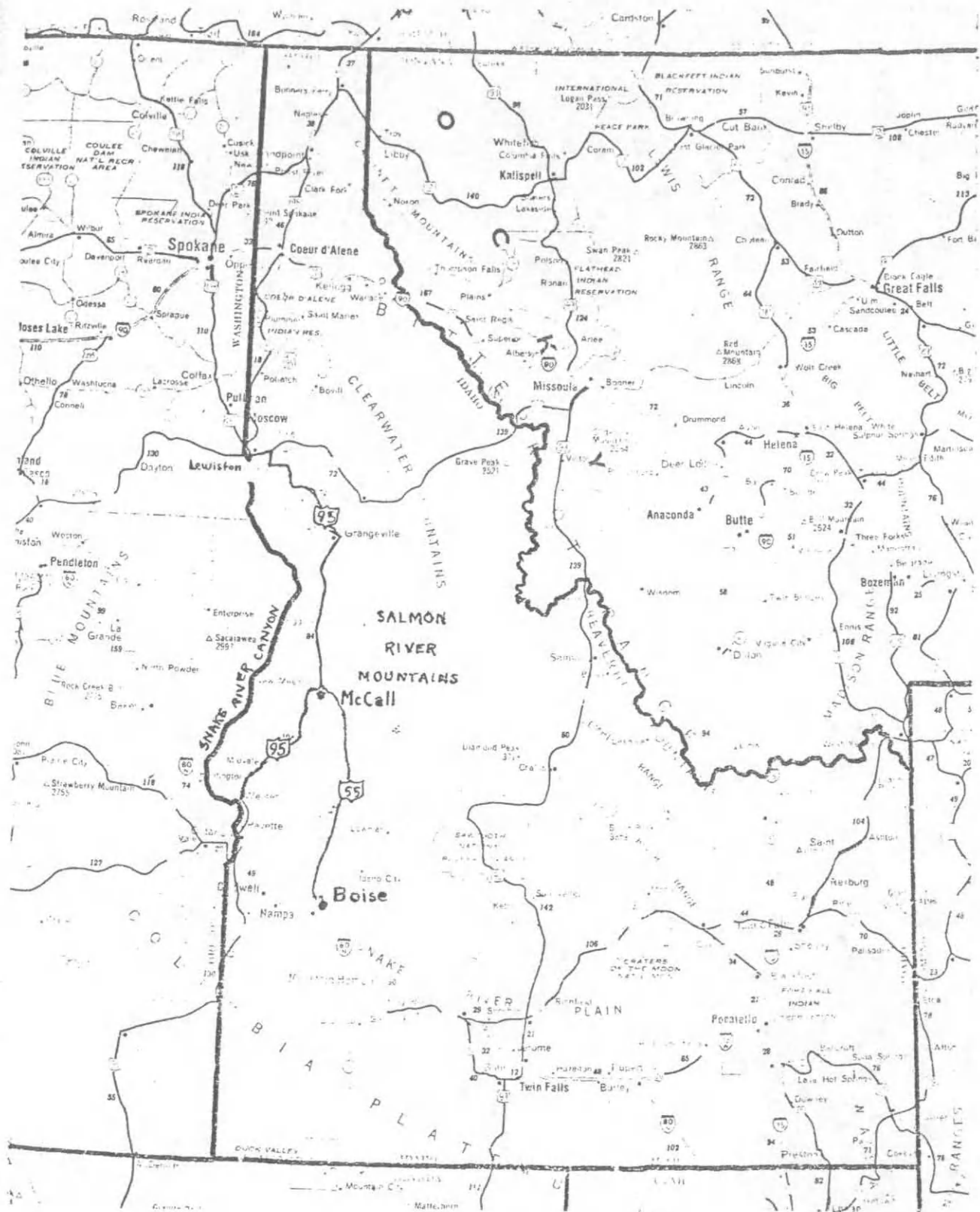


FIGURE 3-1

McCALL BUSINESS DISTRICTS

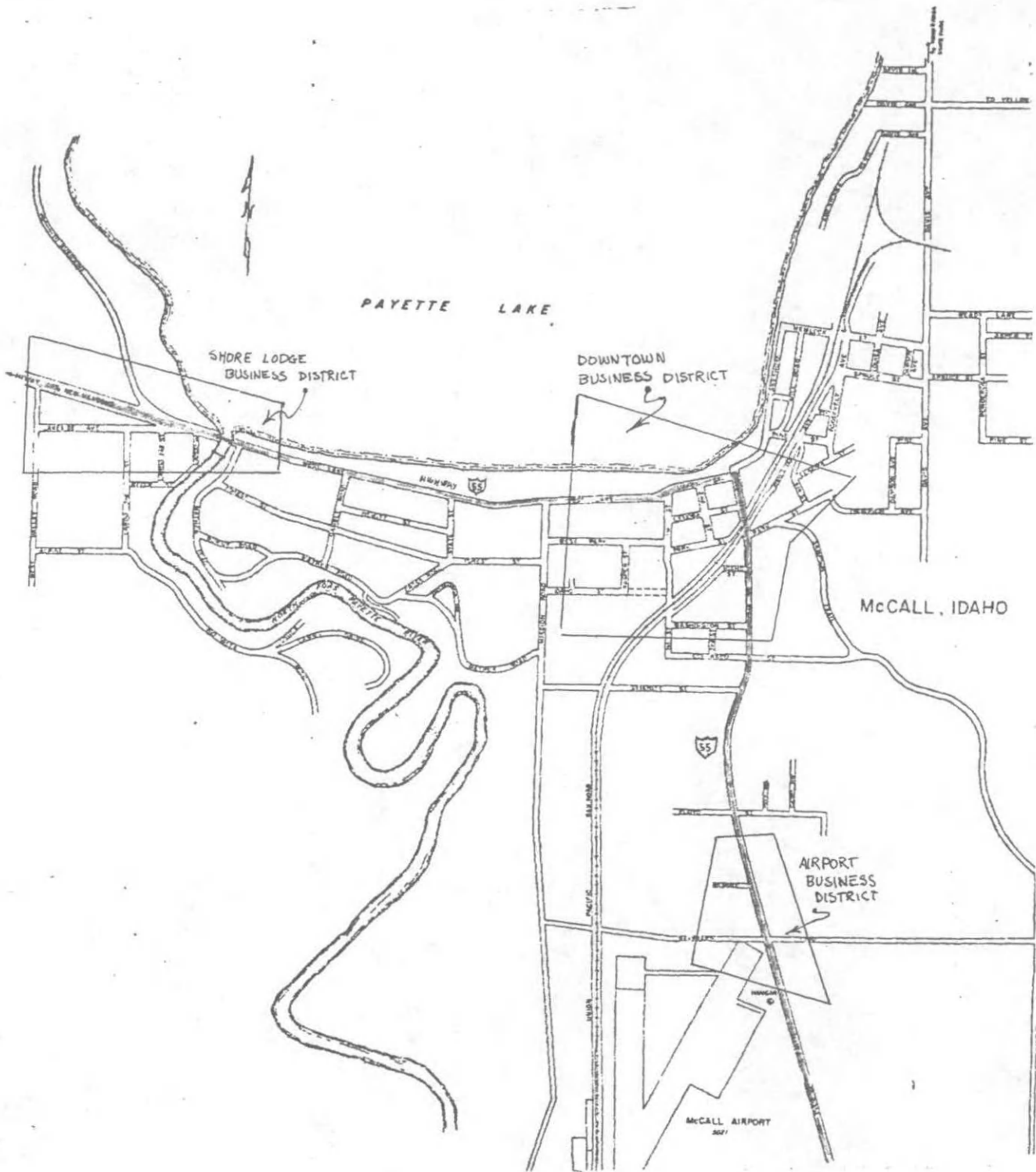


FIGURE 3-2

service building, telephone company, and other commercial offices are also there. In addition, there are three banks, three insurance offices, and seven real estate businesses. Eight of the eleven gas stations are also located in the downtown district, and several specialty stores are in the area: a book store, a jeweler, the Art Mart, Humphrey's and Cargo West. All of these specialty stores sell arts and crafts.

The downtown region also has a public dock and beach. This draws numerous people during the summer; however, it is very small and is often crowded. There are no picnic tables, rest rooms, or playground fixtures.

There is at least one major development under construction in the downtown area. Known as Red Mill and Mill Run and being developed by Larry J. Hellhake and Associates, it will consist of condominiums, a grocery store, theater, and museum.¹ Currently only a few condominiums have been completed.

There are a few drawbacks to the downtown area. There is little night activity because nearly all businesses close at 6 P.M., though the two department stores remain open during the summer until 8 P.M. which indicates an improving trend. There are only three bars, two restaurants, and one hotel. A parking problem also exists because there is adequate off-street parking for only 200 cars.² Highway 55 is narrow, only two lanes, and allows only parallel parking. Consequently, during summer and holidays, traffic is bumper-to-bumper and there is no place to park. This severely limits potential shoppers.

The second business district, the airport district, is relatively

¹ McCall (Idaho) Central Idaho Star News, 10 August 1978.

² City of McCall (Idaho) Transportation Department Fact Sheet, "Transportation and Circulation, Highway 55," 1979.

new, most businesses being built since 1976. It consists of several rather small specialty stores. Most are built from logs and are clustered into a mini-mall. These shops include a florist, a hobby shop, a glass show, a Mexican food restaurant, a pancake house, a grocery store, a bowling alley, one gas station, and the airport complex. Recently, 1981, the lumber company relocated here from east of McCall.

There is some development continuing at the airport, and several businesses have offices there in a newly constructed hanger. Nevertheless, while there is room to expand, there are no motels, hotels, or activity centers in the vicinity except the eight lane Lake Bowl.

The third area, the Shore Lodge business district (Figure 3-3), seems to be the action spot in McCall. It consists of several businesses on the west edge of town, the direction in which McCall is growing. The Shore Lodge is a 200 unit hotel with a bar and dining accommodations. Built on the lake shore, it faces the north eastern range of mountains. This gives the lodge a beautiful view of the lake and mountains. The lodge also has a covered swimming pool, a swimming area with beach, tennis courts, patio and lounge area, and rental boats. The main drawing card for this business is its convention facilities. The lodge is one of the earliest McCall establishments and draws many Idaho conventions annually. For example, it held 18 during the summer of 1979.¹

Other retail businesses situated in this area include the following: a convenience gas and grocery store, three motels, three restaurants, a pizza parlor with game and pool hall, a mini-sports mall with seasonal sports equipment, a wine store, and an antique shop. Recently a second sports shop was constructed and other buildings are scheduled. For

¹"Visitors Guide," Central Idaho Star News, 1979, p. 5.

SHORE LODGE BUSINESS DISTRICT

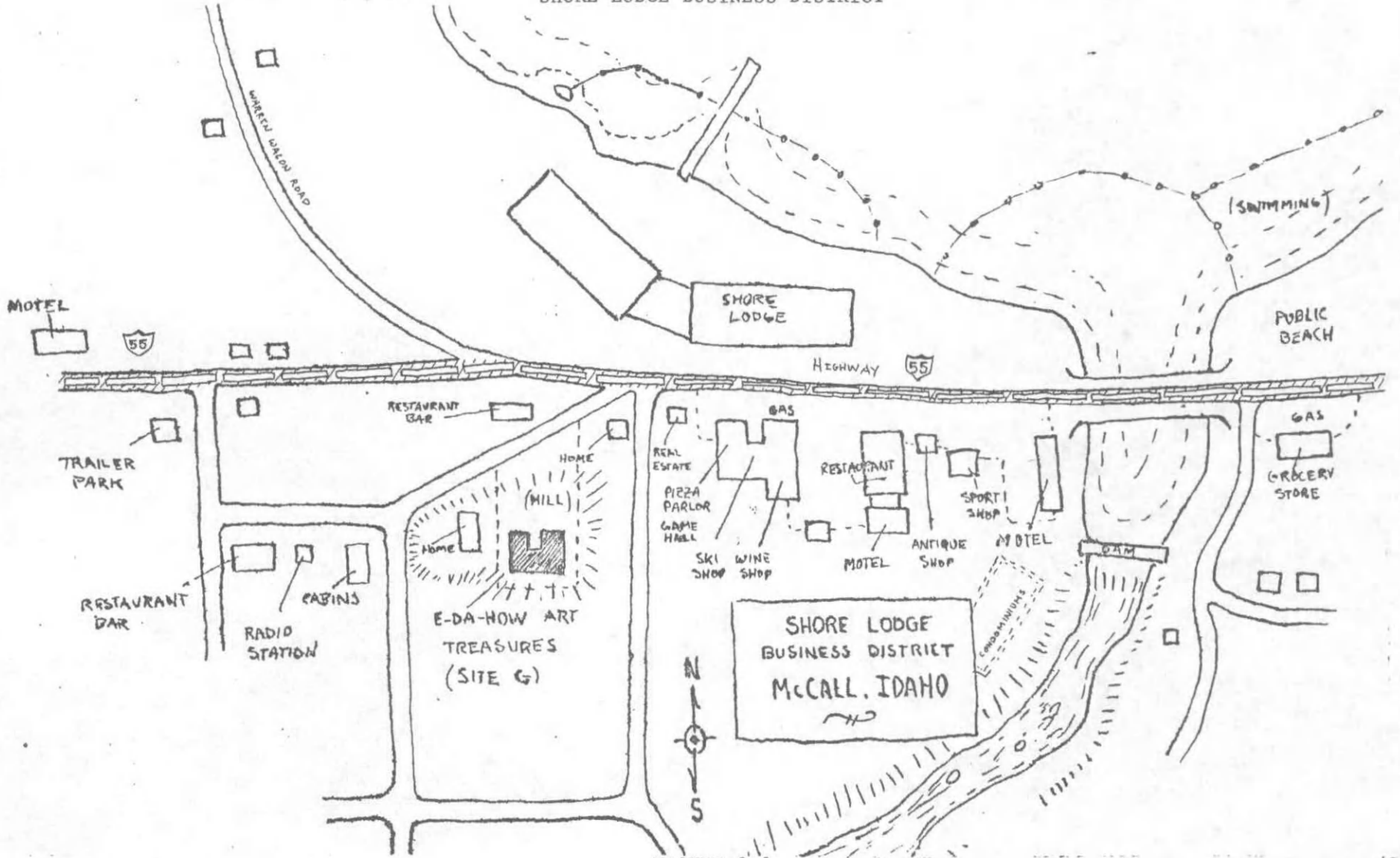


FIGURE 3-3

example, the River's Edge condominiums are currently being completed behind the antique shop.¹

These businesses are closely related to Shore Lodge and the tourist trade. This section of town, more so than the others, caters to the tourist trade and provides the tourist facilities. It also has a public beach which differs from the downtown beach in that it is five times as large, has playground equipment, and barbeque and picnic facilities.

While all three areas have about the same traffic flow, the Shore Lodge district has two advantages: Most Shore Lodge businesses remain open until 9 P.M. or later, and there is more parking room. Though the highway remains two lanes, virtually all the businesses have large parking lots. In fact, there is a two acre lot available for overflow parking (Figure 3-3).

All three business areas share bumper-to-bumper traffic during the summer months, although the airport area is somewhat less congested. However, during the winter, Shore Lodge has more traffic because skiers use the several motels. The three areas are also relatively close to one another, about a mile apart. However, outside these areas there is little or no business.

2. Building Site Requirements and Selection

Several specific site requirements had to be met in order for the venture to fit its intended image and purpose. This section deals with these and the method in which the future site was chosen.

Site Requirements

The image, as presented, calls for a fairly quiet area; yet one which

¹Star News, 19 February 1981, p. 1.

has excellent traffic flow. It needs to be a rugged setting in which there is ample room for landscaping. It must present a beautiful view of the surrounding wilderness, not only to enhance the building, but also to inspire artists. The building must fit its rustic surroundings and yet be modern. Together these criteria support the image outlined in chapter 1. Figure 3-4 lists these major site criteria.

SITE CRITERIA

A	B	C	D	E	F	G	H	I	J	K	SITE
1	1	3	2	3	1	3	1	2	0	0	View of lake
0	0	3	0	0	3	3	0	3	0	0	Located on a hill
1	1	3	2	3	1	3	1	3	1	1	View of mountains
0	0	2	1	2	2	2	1	3	2	2	Semi-peaceful surroundings
0	0	2	1	2	3	3	0	3	2	2	Semi-rugged landscape
2	2	3	3	1	1	3	2	0	1	1	Near tourist flow
1	3	3	3	1	2	2	2	3	3	3	Near Highway 55
2	3	3	3	3	3	2	3	1	2	2	Compatible with surrounding businesses
2	3	2	0	0	2	3	3	0	0	0	Within walking distance of like-businesses
2	0	3	2	2	1	3	3	3	3	3	Adequate parking
3	1	2	3	3	3	3	2	3	2	2	North light
3	3	0	3	0	0	3	3	4	3	3	Commercial zone
17	17	29	23	20	22	33	21	24	19	19	TOTALS

NOTE: Scored 0 to 3 with 3 being the best.

FIGURE 3-4

Site Possibilities

Only a few potential sites shown in Figure 3-5 met the established criteria. Locations A and B were situated in the downtown business area but only met the traffic flow criteria. Sites C, D, and E, though in

SITE POSSIBILITIES FOR E-DA-HOW ART TREASURES

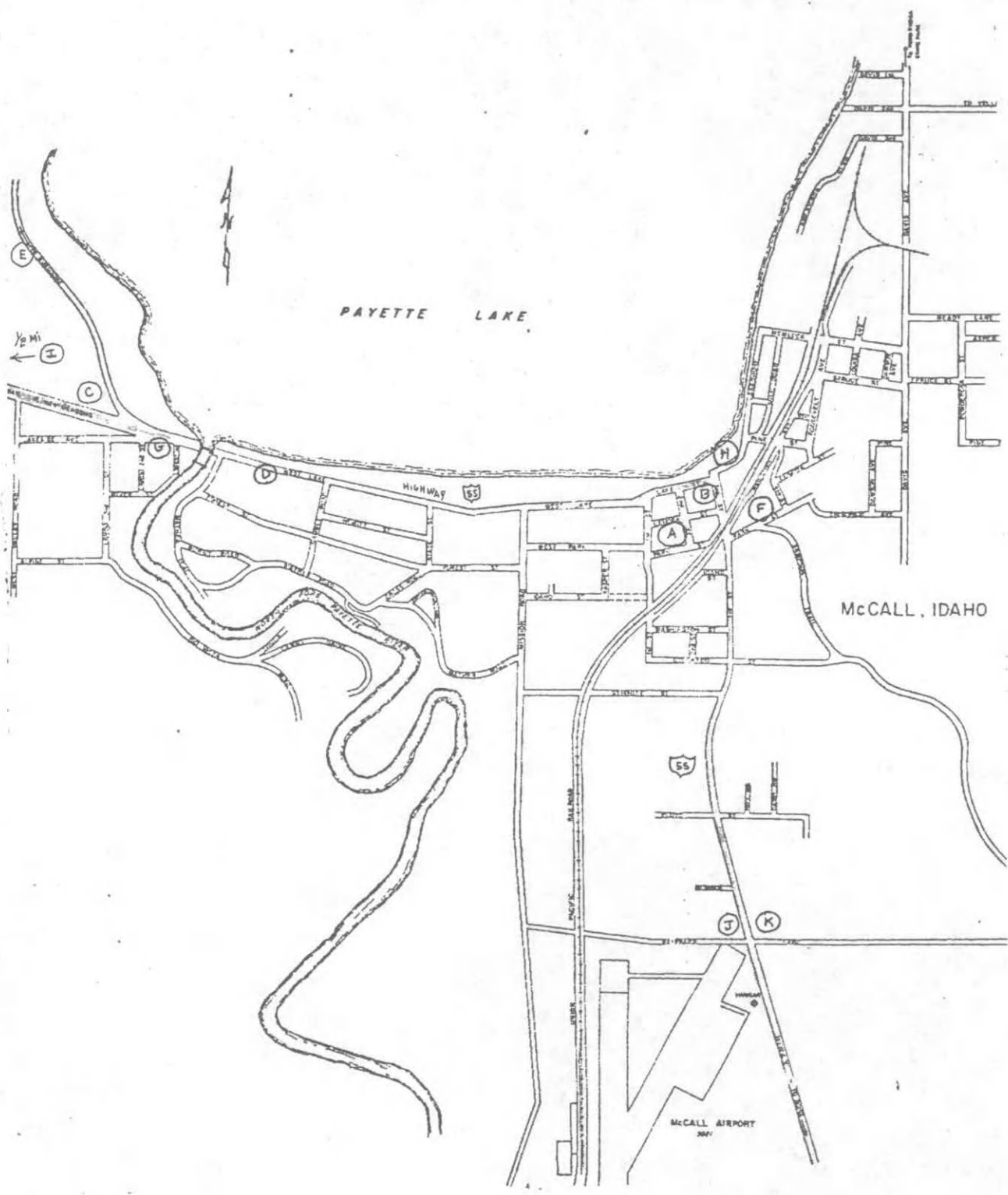


FIGURE 3-5

favorable areas, were not for sale. Site F was for sale at \$96,000 which included a house that would be impractical to remove. Furthermore, the site was not commercially zoned. Site G was available and met most criteria. There was also the possibility that an open area might become available in the Red Mill development at Site H; however, the lack of nearby hotel accommodations cut down on tourist potential. There was also a possible site at I; however, it too was too far removed from the traffic flow and it was doubtful whether the area would be developed quickly. A similar problem existed with the sites near the airport, sites J and K. Overall, Site G met the most criteria; however, the fact that it was not directly located on Highway 55 was a drawback. It is in the heart of tourist flow and within walking distance of several motels.

Selected Site

Site G was chosen and, in 1979, purchased (Figure 3-3). It runs 100' along Lardo Street and runs 175' deep to the crest of a hill. The two lots actually cover the northeast corner of the hill. It has mature ponderosa pines and has never been developed, except for a trailer space near the hill's crest. It was recently zoned commercial.

The view from the hill is magnificent. The lot overlooks the lake a quarter of a mile down hill. Because of its elevation it has an unrestricted view of not only the eastern range, but also the northern mountain range. There is no other site in McCall with such a splendid view.

Two homes border the site. Both are fairly old but are beautifully landscaped. The area to the east and south is empty. According to All American Realty, there are plans to purchase the eastern house, remove it, and build a motel and restaurant. This would be compatible with

E-da-how and could draw more business. The danger is the new building's height. Still the gallery would have about 30 feet elevation advantage.

The businesses between the venture and the lake are fairly small and hidden in the trees. A person looking in that direction looks well above these buildings since the hill rises about 50 feet. The final neighboring building is Lardo Restaurant. It is busy at times and generally popular. Being relatively attractive, it should also draw customers to the area.

Site Restrictions

The building restrictions in effect are the building and zoning codes. Since the site is already zoned commercial, zoning is no problem. Similarly, the building codes pose no problem since they are uniform. All commercial buildings must be recessed 15' from the front property line, 10' from the rear, and 5' from each side. No portion of the building can extend over these lines, and all buildings are limited to 35' in height. An informal restriction encourages builders to preserve major trees.¹

3. Like Businesses Studies and Requirements

It's difficult to identify one ideal structure which will best serve an art center such as E-da-how Art Treasures. Over the past ten years construction details of studios, galleries, and museums which could yield good ideas for the venture's structure have been studied. This section addresses some of these observations and lists them as criteria.

Like Businesses Plans

Since E-da-how would be composed of several businesses, the overall

¹Tom Zachary, McCall Planning and Zoning Board, interview at McCall City Hall, June 1978.

plan was patched together using several structures' plans. These structures are listed in appendix 3-1 along with their major strengths and weaknesses. In turn these strengths are listed in Figure 3-6 as criteria for E-da-how Art Treasures. E-da-how and other art centers planned around Figure 3-6 criteria would have a substantial advantage over many of the galleries and shops which are listed in appendix 3-1 because many were housed in second hand buildings--not in buildings designed for their merchandise.

FAVORABLE QUALITIES

Gallery^a

room for several one-man shows
 public toilet facilities
 additional decorations, plants, etc.
 natural traffic flow
 slanted display panels
 split level
 carpet
 large doors
 quiet rooms

plenty of room
 track lights
 high ceilings
 comfortable seats
 movable walls
 good ventilation
 no windows
 good heat
 reception room

Jewelry Sales^b

natural displays
 space for displays
 carpet
 singly displayed minerals, gems

incandescent lights
 eye-level displays
 high intensity lights

Art Supplies^c

large stock
 lit cases for smaller supplies
 flat file cabinets for paper (map drawers)

separated supplies by manufacturer
 order counter

Frame Shop^d

large molding display, carpeted
 large work benches, carpeted
 bins for mat boards/glass
 work lights

storage room
 bins for molding
 display area finished work
 lots of room

FIGURE 3-6

FAVORABLE QUALITIES (Cont'd)

Studio^e

incandescent and fluorescent lights
 tile floor and carpeted floor
 large north windows
 storage bins
 potted plants
 large work benches/storage under cabinets

track lights
 vaulted ceiling
 spectacular view
 sink for clean-up
 lots of room

Photograph Studio^f

track lights, blank walls
 cupboards

dark room, 2 double sinks
 carpeted raised stage

Sub Shops^g

good light (natural)
 large work benches
 cupboards

sink for clean-up
 fluorescent lights

^aBetty Chamberlain, The Artist's Guide to His Market (New York: Watson-Guptill Publications, 1979), pp. 168-171; and Richard Horn, "Lighting," American Artist 45 (February 1981): 74-77.

^bVisit to the Lizadro Museum of Lapidary, Chicago, Illinois, December, 1980; and Visits with John and Nina Cookorinis, Ya-Neen International Jewelry Store, Montgomery, Alabama, 1978-1981.

^cInterview with the owner of the Art Market, Great Falls, Montana, August, 1978.

^dInterviews and visits with Larry and Helene Roberts at the House of Frames, Montgomery, Alabama, July-August, 1981; and visit to the Rainbow Art Gallery, Great Falls, Montana, June 1978.

^ePat Van Gelder, "Award Winning Studio," American Artist 45 (February 1981): 44-46; and Jarrett W. Straw, "Designing a Sculpture Studio," American Artist 45 (February 1981): 50-53.

^fVisits to the Treasure Chest, Gunnison, Colorado, 1972, 1973.

^gStraw, pp. 50-53; Van Gelder, pp. 44, 46; Interviews and visits with Ron Parks, Parks Gems, McCall, Idaho, June 1974-1976, 1978; and visits and interviews with Wallace Hendrickson, Donna's Rocks, McCall, Idaho, June 1974-1976, 1978, 1980.

FIGURE 3-6

The criteria in Figure 3-6 were used for the structure; however, due

to the nature of the building site, several other criteria were added. For example, due to the rising costs of energy, it is desirable for the building to be energy efficient. Consequently several energy savers would be incorporated. The building would use solar heaters on the south facing roof. All the south, east, and west facing windows would be double pane. And because a major requirement for an art studio is north light and because most energy is lost through north facing windows, these would be triple pane with insulation panels and drapes for night use. In addition, the building would use translucent glass blocks on the four corners of the gallery. Although these blocks do not transmit direct light, they contribute natural light and would reduce the artificial lighting requirements.

4. Exterior Building Plans

The exterior building plan and selected landscape plan are described in this section. The building concept is based on floor plans presented in section five and were produced with guidance from three architects.¹

Exterior of Building

The tall trees, big sky, rugged mountains, and hillside location, all suggest a tall building which extends the existing lines into the sky line. The natural surroundings also suggest a wood structure finished in a natural wood stain. The landscape should enhance this wilderness look.

The building would be constructed with concrete blocks, wood veneer, and natural stone. Concrete blocks are fire resistant and give the needed strength for second floor equipment. They are also moisture and frost

¹Mike Jager, Lake Tahoe Architect, interview at McCall residence, McCall, Idaho, June 1976-1978; John Seydel, Seydel Design and Construction Company, telephone interview in McCall, Idaho, June 1978; and Sheldon Haldeman, Haldeman and Williamson Contractors, telephone interview in McCall, Idaho, May 1982.

resistant, and would be filled with vermiculite, for insulation. The concrete block wall exterior would have wood, overlaying foil-encased, styrofoam insulating blocks. Other minor areas would have a natural stone finish in place of wood.

As can be seen from Figure 3-7, the building is split and slopes west. This design takes advantage of the eastern view and the western sun which, being next warmest to southern sun, would melt snow from the roof. The structure would also be built into the hillside to take advantage of the earth's insulating properties. This would eliminate windows on the ground floor for the southeast, south, and southwest walls. Section six will explain more about these energy saving measures.

E-DA-HOW ART TREASURES MODEL

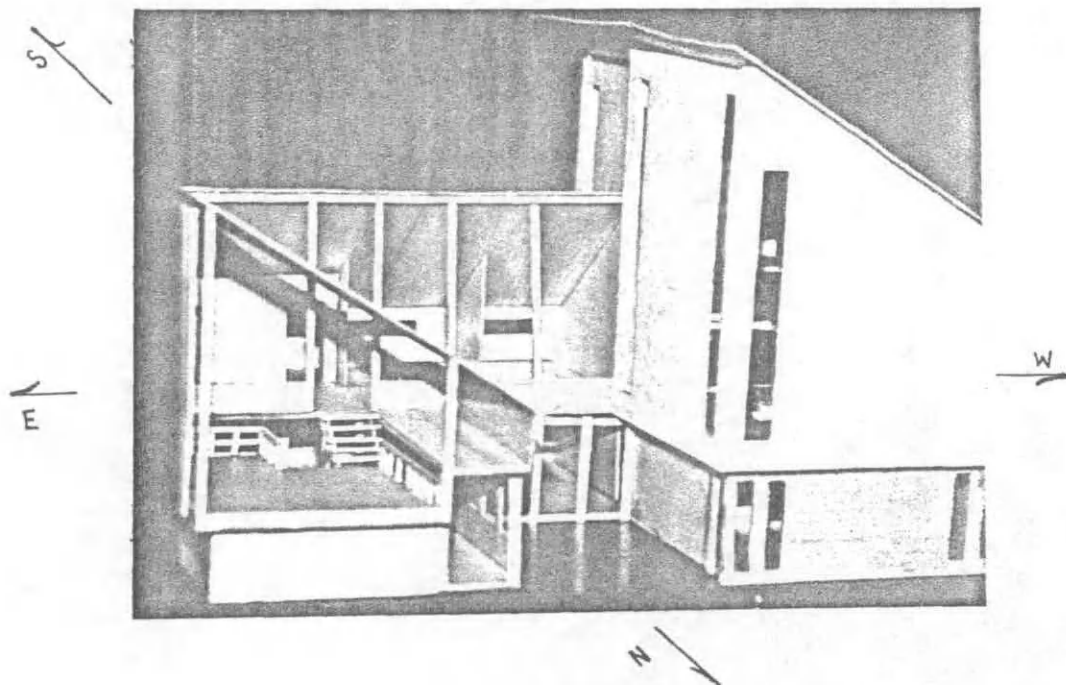


FIGURE 3-7

Windows would be placed to take advantage of north light and the

eastern view as shown in Figure 3-7. The gallery would have no windows. Instead it would use translucent glass strips which provide indirect light, rather than direct sunlight which can damage paintings. Much like the Chicago Museum of Fine Arts and the Smithsonian, the gallery would use these strips to admit abundant natural light, thereby reducing its use of electrical lighting. The studio would use large north facing windows to provide the artist with north light which gives a highly desirable, even, constant illumination.¹ Minor windows would face east and a light strip facing south would also let in light. The eastern windows would give a view of the mountains, yet would be situated far enough to the building's north to restrict most of the sun's direct rays. The sloping roof would enhance lighting from all sources because it would reflect light back down to the studio floor.²

One possible design problem is the sloping roof which cuts down on available wall space under the eaves. However, the sloping roof enhances the alpine design and helps prevent snow accumulations. McCall receives up to six feet of snow annually, and the pitched roof is the safest way to keep it off the building. In addition, the south sloping roof on the sub-shops would be ideal for planned solar heat exchangers to help reduce heating costs.

Landscape Plan

One characteristic of successful modern galleries is the landscaping. It not only enhances the buildings and the art works, it especially makes the business attractive to customers. E-da-how's landscape plan must enhance the building and complement the natural surroundings.

¹Horn, p. 74.

²Ibid., pp. 74, 77.

An alpine landscape achieves this objective by giving the surroundings the look of a glacier-scored, alpine meadow. In its natural setting this landscape is somewhat stark and twisted with occasional fantastic shapes, yet it is simple, open, and spacious. It's typified by small stunted shrubs and plants growing with spindly fir and spruce in open rocky meadows. The white granite bolders of the area make interesting compositions with small shrubs. Because of its simplicity and sweeping forms, the alpine landscape appears very modernistic and would enhance the structure. The proposed building and its final landscape is shown in Figure 3-8.

5. Interior Building Plan

The interior design, floor plans, and some security measures are addressed in this section. This is again based on the previously listed like-businesses and the gallery criteria. The primary objective was to design an interior which would sell merchandise while giving artists room to work.

Interior Design

The interior was designed with the customer in mind since much of a business's sales depends on product exposure. The layout needs to meet two objectives. It should attract customers and return the greatest gross margin possible per square foot, and it should be designed to move products while keeping selling expenses down.¹

According to the model, the floor plan is broken out into four basic areas (Figure 3-9, 3-10, 3-11). The main studio is situated near the front entrance where the working artist could see and visit with customers. It is four feet above the ground level and splits the first and second floors.

¹Larry D. Redinbaugh, Retailing Management (New York: McGraw-Hill, 1976), p. 171.

E-DA-HOW ART TREASURES FINAL LANDSCAPING

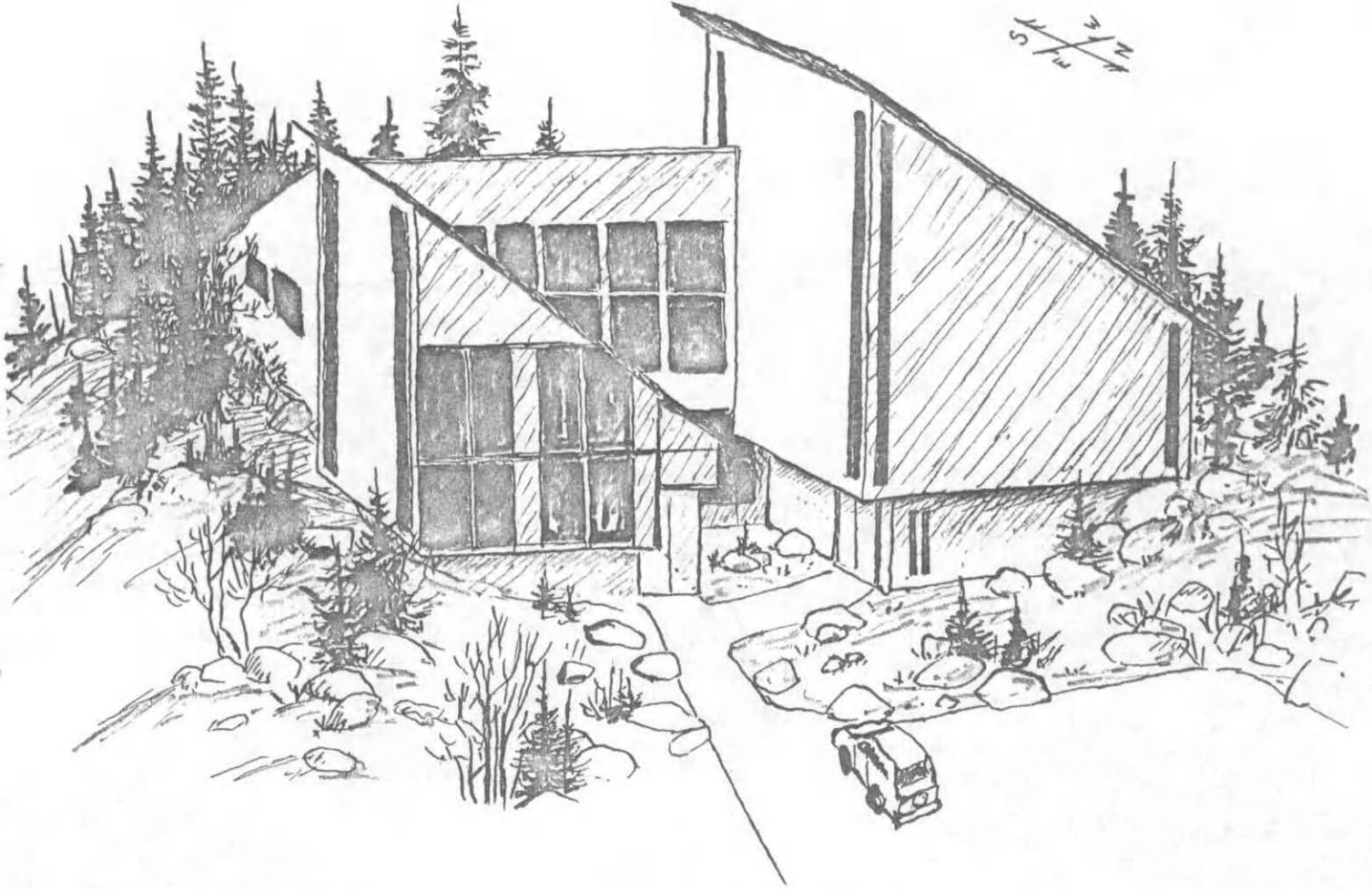


FIGURE 3-8

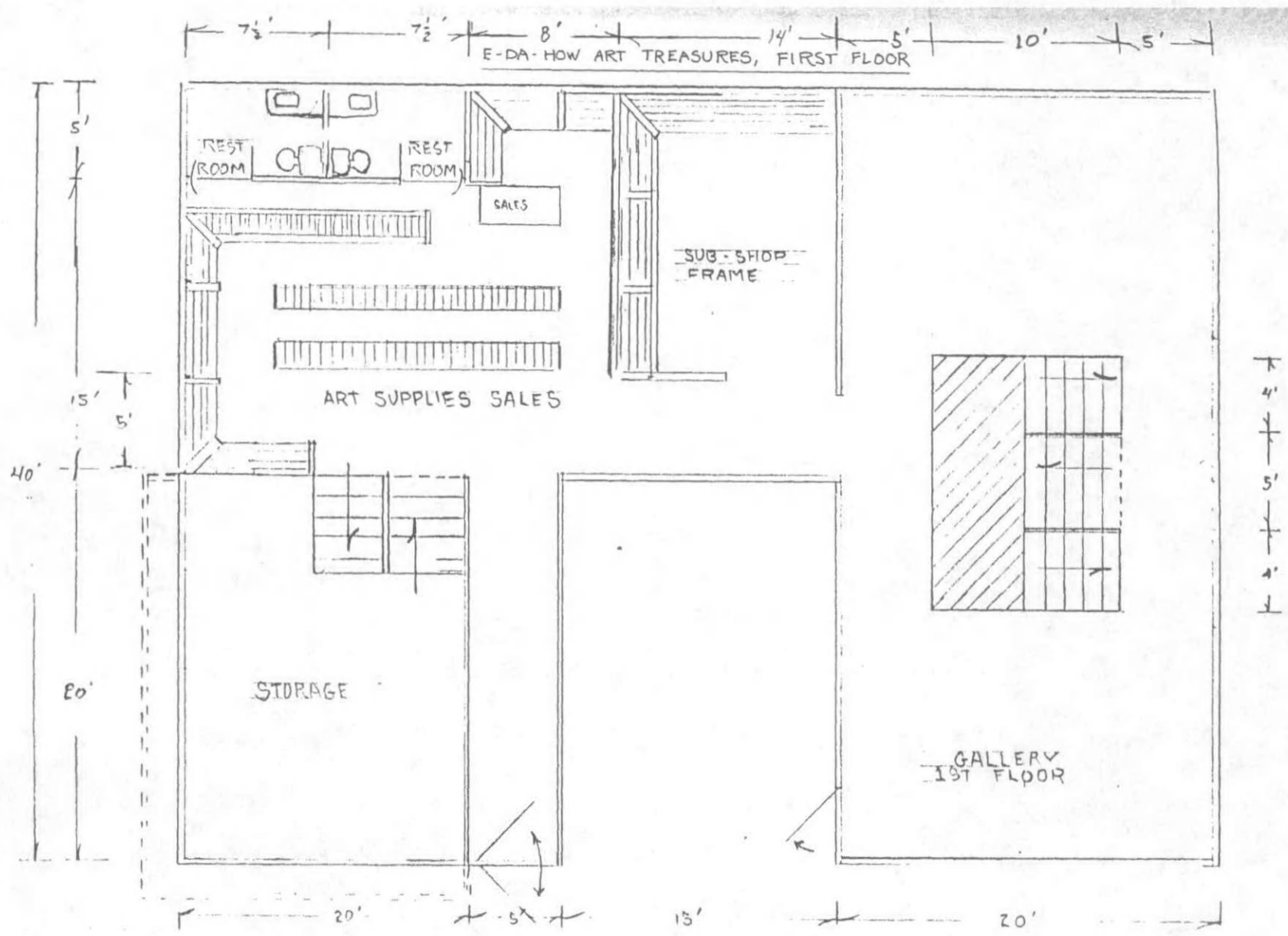


FIGURE 3-9

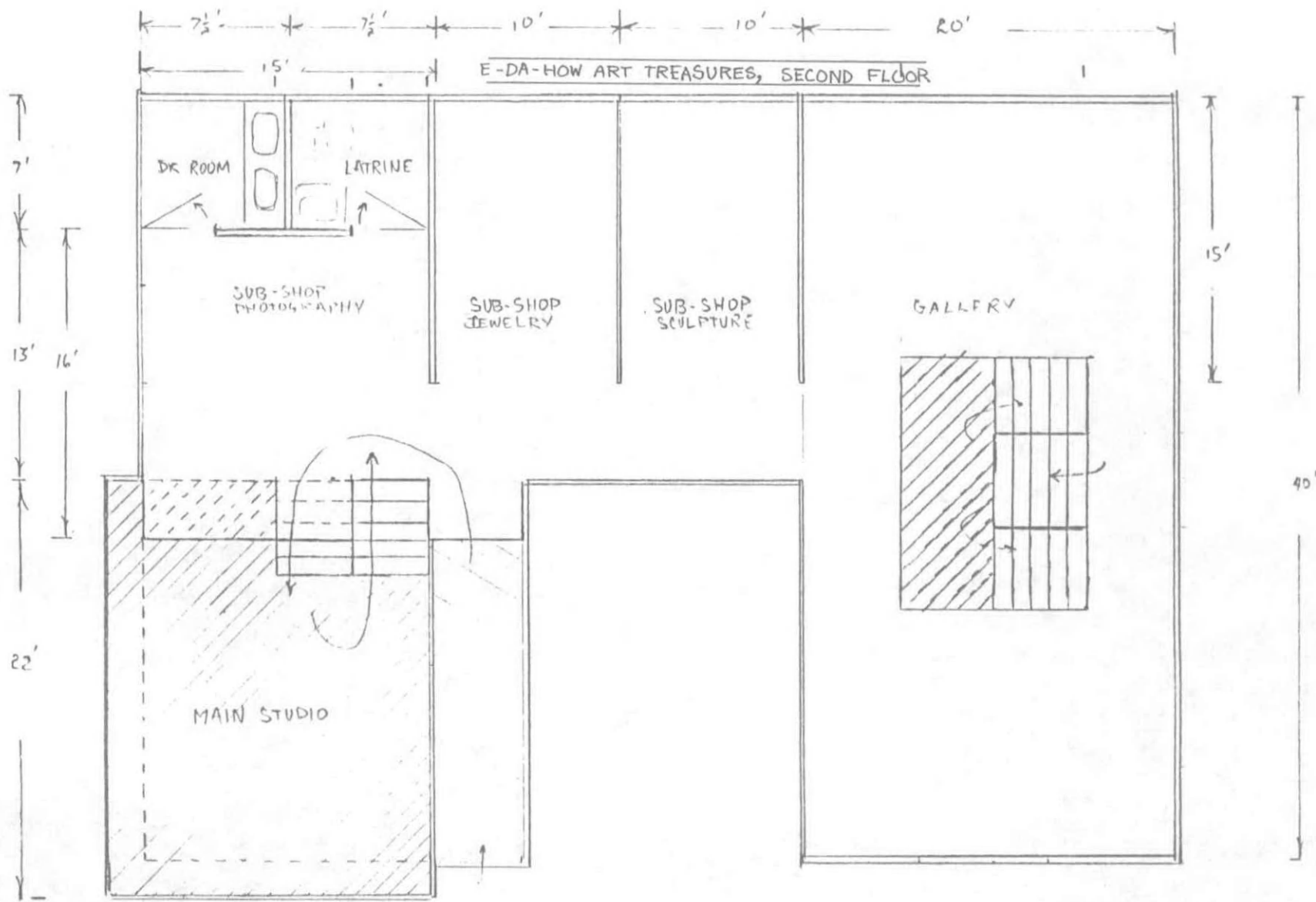


FIGURE 3-10

E-DA-HOW ART TREASURES, THIRD FLOOR

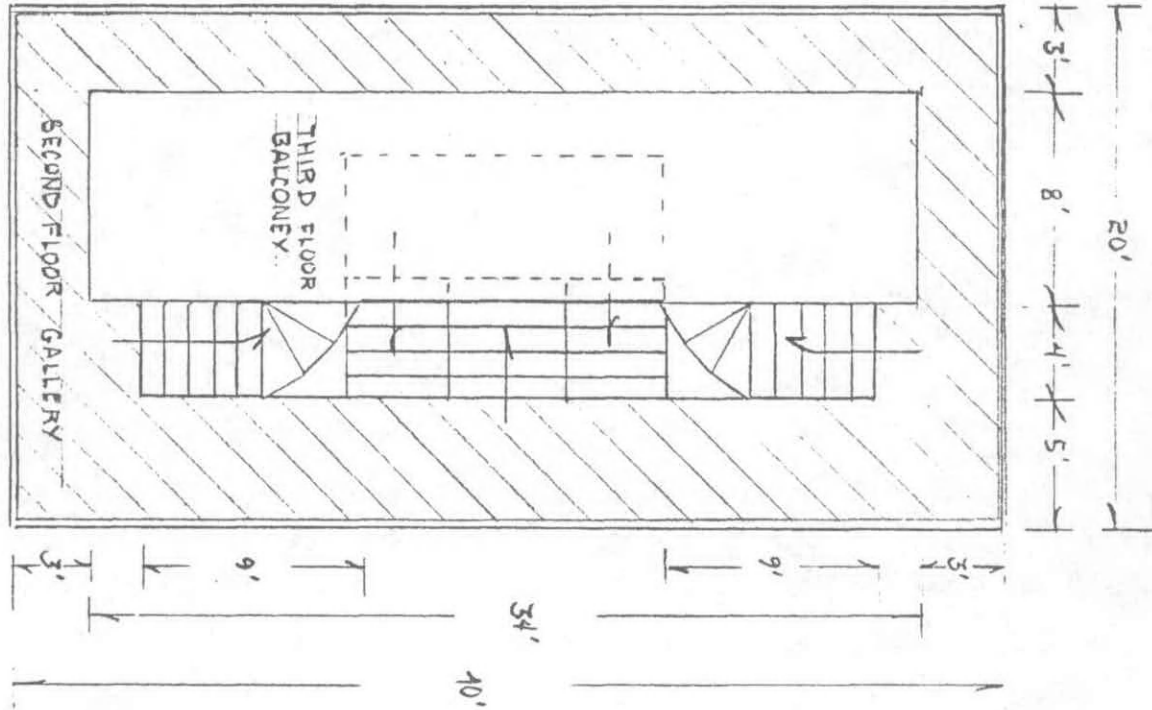


FIGURE 3-11

As a result it would give a simultaneous view of both floors. The space under the studio deck would be designed for a back-up heating unit, as well as for storing paintings and frames.

The ground floor would serve as an art supply sales room and as a frame shop. The main check-out register would also be here, as would public restrooms. Double doors lead to the main gallery which are for exit only. Consequently all traffic would flow past the art studio though it would not directly enter it. Art supplies would be placed separately on the first floor for several reasons. First, the finished product needs to be displayed in an exhibit area designed to sell it, and supplies don't contribute to this. Secondly, the hobbieist who comes in just for supplies may wish to get help from his/her counterpart in the second floor sub-shop. To do so the hobbieist is forced to circulate through the building which results in greater product exposure.

The second floor shops would be semi-independent with each renter responsible for his/her own display area. The shops are arranged like a mall and traffic would flow in front of each, giving the renters an opportunity to do some personal selling if he/she wishes. Furthermore the renter may wish to escort potential customers to his/her display area in the gallery.

The model shows that the gallery is a three-floor structure. An open stairwell connects each floor, giving a feeling of spaciousness while providing continuity to the entire gallery. The upper floor (Figure 3-11) is suspended above the second floor and, in fact, closely resembles a very wide cat walk. This floor would enable the gallery to use the high east wall for displaying large paintings. The second floor (Figure 3-10) offers the greatest amount of wall space and would be reserved for the author and

co-artists. Lighting would be track mounted in the ceiling and would be adjustable for each wall. All walls are angled which not only helps separate the paintings from one another, but also causes the viewer to move with the grain in an endless circle (Figure 3-12). The second floor also appears suspended. Glass stripes in the floor overhanging the first floor help give this illusion. The first floor of the gallery (Figure 3-9) has been designed similarly to the second. However, there are three or four movable panels which convert the large floor into separate rooms. In turn, these rooms are used to hold receptions and host one-man shows. Figures 3-13 and 3-14 should help illustrate the three dimensional layout of all the gallery floors.

EXAMPLE ANGLED PANELS

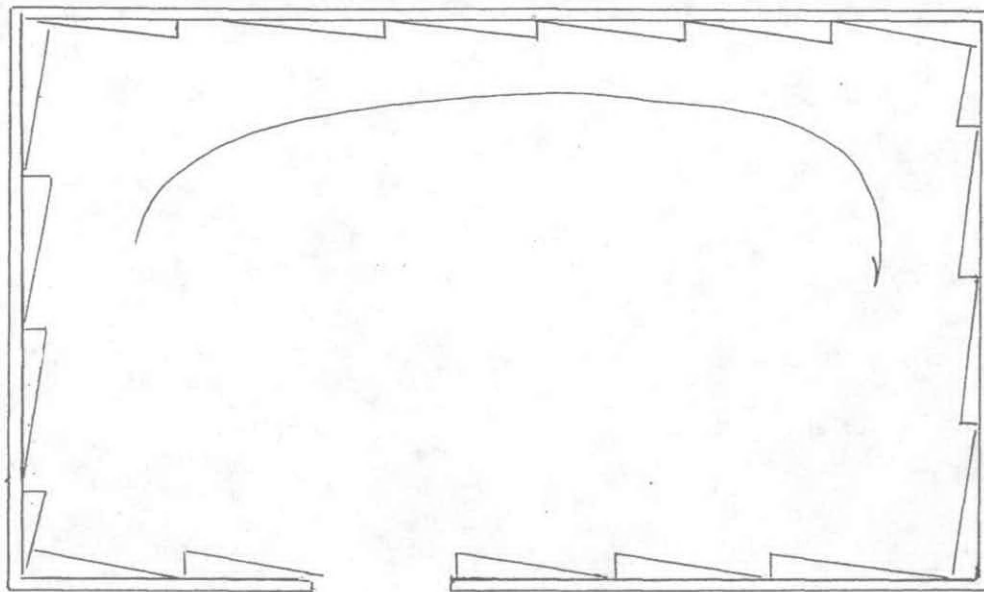


FIGURE 3-12

E-DA-HOW ART TREASURES, BUILDING PHASE I, STUDIO AND SUB-SHOPS

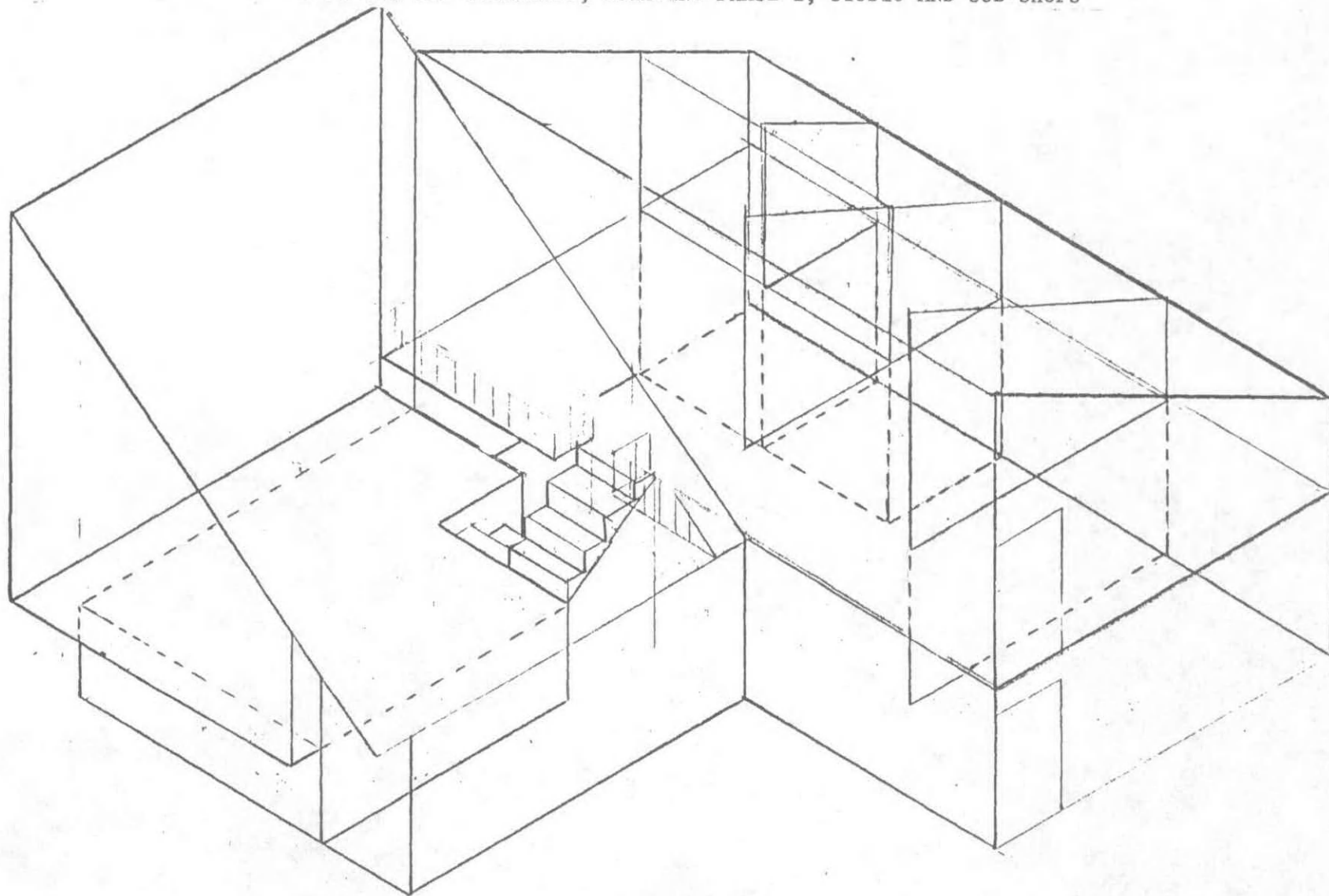


FIGURE 3-13

E-DA-HOW ART TREASURES, BUILDING PHASE II, GALLERY

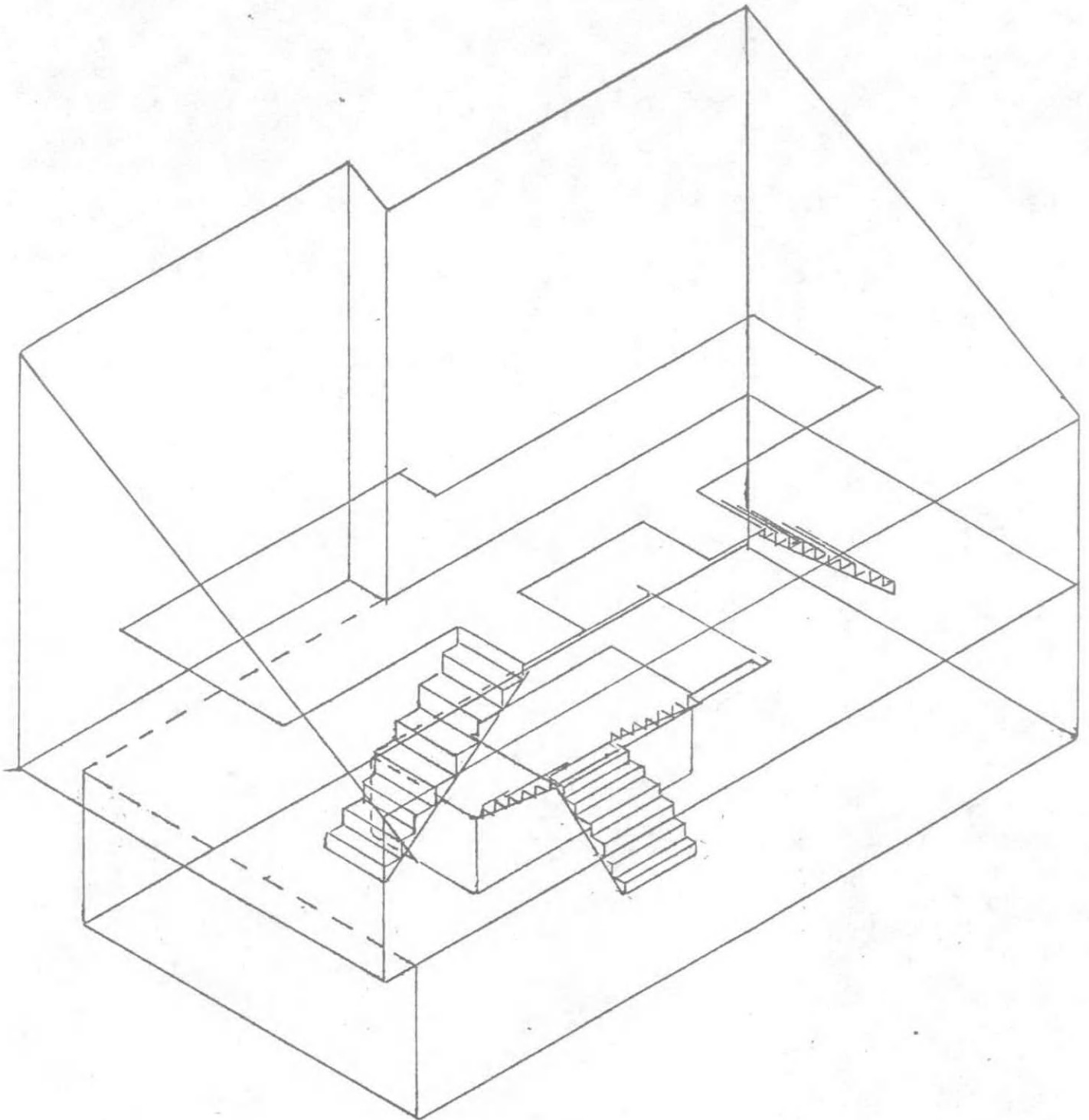


FIGURE 3-14

Shop Protection

The product E-da-how Art Treasures sells is relatively high value; therefore, protection against theft is critical. There are two basic ways of losing stock--employee theft and shoplifting. However, because of many high value items, E-da-how is also subject to burglary.¹

Since the co-artists have a monetary interest in the venture's financial success, employee theft is considered less likely. However, there is a potential problem with art supplies theft.

Shoplifting and burglary do pose serious threats due to the expensive nature of jewelry and fine art. The main controls would be display cases, traffic flow, and a burglar alarm. The doors would be equipped with dead bolts, and glass areas would be wired. In addition, the building would incorporate a silent central-station alarm. The outer area would be well lit at night. Combined, these safeguards should be effective.

Finally all high value inventory would be marked, and a sign stating this would be posted. These items would be marked with a number which in turn would be registered and controlled. In the case of gemstones, which cannot be physically marked, photographic records would be kept and in rare instances, x-ray prints. Most of these steps are, in fact, routine ones taken by artists to protect their works.²

6. Energy Conservation Measures

A very important consideration for the future is energy costs. The only thing for certain is that the cost will continue to rise.

¹Ibid., p. 409.

²Diane Cochrane, This Business of Art (New York: Watson-Guption Publications, 1978), pp. 42-43.

Consequently alternate energy sources have been considered.

At present there seem to be no inexpensive alternatives to electrical energy. Fortunately electricity in the Pacific Northwest is still relatively inexpensive due to the large number of hydroelectric dams. However demand is growing and price is going up.

There are several commonly used alternate sources of heat in McCall which include oil, coal, and wood, as well as electricity. Coal and wood are not suitable for an art center because they cause soot and ash--both of which are devastating to fine art. Oil is acceptable but is presently more expensive than electric heat. Electric heat and oil requirements without heat saving measures would cost \$1,700 and \$3,100 respectively, annually for an equal size building in McCall. E-da-how expects to cut annual costs to \$400 using conservation measures and by only using electric heat as a back up.¹

Conservation measures which would result in this reduction include: solar heat exchangers, a south-facing masonry wall, and a greenhouse-like structure on the south wall. Six flat plate thermal collectors set at 60° for McCall's latitude would provide sufficient hot water for the entire building as well as space heating. These are estimated to cost \$7,500.² The large masonry wall combined with a greenhouse would supplement heating with convection and radiated heat. This cost estimate is

¹Cost estimates for oil for partial heating would be \$600 annually. Costs for electric heat for the same requirements would be \$400. Oil costs were based on 500 gallons per month at \$.80 per gallon. Estimates were provided by Larry Sampson of Cal-Gas in McCall, February 1982. Electric heat was based on current rates provided by Idaho Power Company in McCall, February 1982. Rates were determined based on requirements of a 4,000 square foot building in McCall. See chapter 6, annual costs.

²"Modern House, Ancient Architecture," National Geographic, February 1981, pp. 42-43, 67; and Walley Rose, United Solar Companies, Inc., Colorado Springs, Colorado, telephone interview, March 1982.

\$1,000 in addition to the building cost. Because the studio and sub-shops are raised and the heating structures are adjoining, the heating structures should provide sufficient heat during 90% of the year.¹ A back-up electric heater provides the remaining 10%.

Should solar cell arrays become less costly, the venture would use them to supplement electricity requirements. It is expected within 5-10 years costs will be as low as \$.07 per kilowatt hour. Therefore E-da-how is considering them.²

Solar heating and solar arrays are feasible in McCall because McCall gets 2,600 hours of sunshine annually.³ Like Denver, this amount of sunshine is more than sufficient.

Other passive devices are also planned. Foam panels for the large north facing windows would be used to reduce heat loss at night. In addition the windows would be triple pane. (Though the model shows large blank spaces, the actual window area is less since the model was built to reveal inside details.) The building would also be partially sunk into the hill to take advantage of the earth's radiant heat during the winter and its cooling affect during summer. These costs have been incorporated into the total building cost estimates.

The total cost for energy-saving systems is estimated at \$8,500. Electric heating costs without these systems was estimated at \$1,700 annually, thus in 6½ years the systems would have paid for themselves in heat savings alone. Over the 40 year life of the building these savings could

¹Ibid., pp. 42-43, 68; and Rose.

²Cynthia S. Osborn and Donald E. Osborn, "How to Buy Solar," Arizona Highways 56 (May 1980): 38-44.

³Twila DeVires and John Yallott, "Planning for a Sunny Future," Arizona Highways 56 (May 1980): 2-5.

amount to \$45,500.

7. Sub-Shop and Profit Center Building Requirements

Other structure requirements which aren't considered capital assets but which are art business related features are identified in this section. There are four main profit centers: a studio (gallery), frame shop, supply sales, and consignment sales (gallery). Three sub-shops compose the fifth profit center, rent. Thus far the sub-shop areas are designed for a photo studio, a print studio, and a jewelry store. Their special requirements are explained below and are important considerations because they increase the building's utility, and thus reduce functional obsolescence. These features allow a greater sales return per square foot.

Studio

The studio measures 350 square feet. Although somewhat small there would be about 390 square feet of additional storage room located below the studio deck and above the entry way.

Major built-in features for the studio make it a highly functional and productive area. The plan incorporates adjustable track lighting for use in any area. In addition, along the south end a series of cabinets which include a sink, cupboards, and drawers would be built in. Also storage racks and bins would be constructed along the west wall above the main entrance (Figure 3-10). As designed, this area is waist high allowing items to be stored conveniently and retrieved easily. Finally the area under the studio deck was designed to accommodate items of a supply nature or equipment which is used infrequently (Figure 3-9).

Frame Shop

The frame shop was designed for 210 square feet of work area.

Therefore part of the artist supply sales area was designated for frame sales while molding and mats would be stored under the studio deck.

Main features for the frame shop help make it an efficient work area. Work benches and cupboards would be along the south and east walls (Figure 3-9). Above these would be additional storage shelves and peg board for storing or hanging tools. As a result there would be ample floor space for free standing work tables, frame vises, cutters, and for the worker to move around his frame.

Artist Supply Shop

The artist supply area would contain approximately 400 square feet which compares favorably to other artist supply stores. To help optimize the floor space, display shelves in the form of bins would be designed for the east and south walls (Figure 3-9), while low merchandise shelves would run east and west forming three aisles. Track lights would again be employed to help enhance certain merchandise displays.

Sub-Shops

Each sub-shop was designed for 200-250 square feet, but no permanent structures were designed because the renters would do so to meet their particular requirements. Each shop would have sufficient space for a well-stocked studio and work area.

Gallery

The gallery itself was designed to have over 1,600 square feet of space, plus 140 square feet of storage. As Figures 3-9, 3-10, and 3-11 show, this gives ample wall space for displaying paintings, and it gives room for the viewer to back off to observe paintings at different distances.

The gallery features include matted angled walls built-in (Figure

3-12) to enhance sales and carpeting for the floor. Also included are track lights throughout to provide the best illumination of paintings. Finally they include storage racks under the first floor stair well for extra paintings and display supplies.

8. Contractor Estimates

Cost estimates for E-da-how were updated May 1982. Currently the building as outlined would cost \$35 per square foot. This includes the excavation; water, sewer, and power hook ups; permits; blue-prints; concrete floor; cinder block walls with wood veneer; triple pane glass; and other features as presented above.¹ It does not include finishing work such as carpet. Because E-da-how would not be constructed for two years and items such as track lights would be added, \$40 per square foot for Phase I is used and \$44 per square foot is used for Phase II. Phase I consists of the studio, frame shop, artist supplies shop, and the sub-shops; about 2,450 square feet, and would cost about \$98,000. Phase II is the gallery which has about 1,750 square feet and would cost about \$77,000. The landscape plan and energy measures would cost an additional \$10,000. Costs are broken down in chapter 6. Cost estimates from three contractors have agreed quite closely. Currently, May 1982, prices are somewhat depressed.²

9. Summary

The geographical location and the physical aspects of the venture

¹Haldeman, interview, May 1982; Seydel, interview, June 1978; and Jager, interview, June 1978.

²Ibid.

have been addressed in this chapter. It identified McCall as a viable location and identified a good building site within McCall. The building design requirements, and the proposed building plans were also presented. The design was influenced by successfully established like-businesses, and it adopted many of their best qualities. It also incorporated ideas for energy saving units. Finally the specific requirements for each sub-shop and profit center were looked at.

Nothing to date has indicated that this building plan will not succeed, nor has anything suggested severe shortcomings with the proposed architectural plans. All features have been designed to promote the image established earlier--that of a high quality art center. Potential customers should be attracted to this business and disposed, by its appearance, to make purchases. Thus the building has been designed to convey quality in keeping with the fine merchandise with which it will be stocked: art works, artist supplies, fine gems, frames, and other art objects.

CHAPTER IV

MARKET ANALYSIS AND MARKETING PLAN

The marketing environment, its requirements, and the overall marketing plan are addressed in chapter 4. Population trends and potential rapid area growth are first discussed. Then major planning milestones are presented to help tie the personal growth plan and the building plan to the marketing plan. The market and its potential are also addressed, as are customer characteristics. Next, competitors and their products are analyzed and then E-da-how's product lines are identified and shown to be competitive. Finally human resource development and employees are given a brief look.

1. Population Trends of Market Area

Current Population and Projected Growth of McCall

Currently, the population of McCall, Idaho, is 2,215.¹ However, this is misleading in that this figure only counts the permanent year-round residents within city limits. In the summer, from June through August the population varies between 6,000 and 12,000.² And on the winter weekends, the population averages 4,000 due to skiers and hunters. The

¹Visitors Guide, 1981, p. 19.

²McCall (Idaho) Chamber of Commerce. Information Sheet (Population) 1981.

slowest season is early spring when the population is, in fact, 2,200.¹

The extra population is nearly all from the Boise valley. However, a unique situation exists. For the vast majority of these summer visitors, McCall is their other home. They are not tourist--they are summer residents and are considered local population.²

The population trends of the McCall area are directly related to the Boise trends. And Boise is one of the fastest growing areas in the nation. It appears also that Boise's growth is directly related to the Salt Lake area because of natural geography and location of commerce. As Salt Lake grows, Boise grows, and McCall, in turn, grows.

The population in general is shifting towards smaller cities and to the cooler western states such as Oregon and Idaho. Boise, specifically, is one of the cities cited as a preferred city to move to. Ranked in order as the fastest growing states in the union, Idaho ranks seventh with a 32.4% growth rate between 1970 and 1980. Utah ranks fifth with 37.9%. The national average being 11.4%.³ Of particular note, the entire mountain region; Montana, Idaho, Wyoming, Nevada, Utah, Colorado, Arizona and New Mexico; leads the nation in population growth. It has grown 37.1% since 1970, from 8,290,000 to 11,368,000 in 1980.⁴

Idaho also has had a moderate gain in per capita personal income and it is expected to increase further, from \$7,074 in 1978 to \$12,782 by year 2000 (measured in 1978 dollars). This represents a 3.4% annual rate.

¹David Spielman, "Economic Impact on McCall Area After Boise Cascade Mill Closure," unpublished thesis, 1978.

²Author lived and raised in McCall.

³"Who's Gaining, Losing in Population Race," U.S. News & World Report 90 (16 February 1981): 57-59.

⁴Ibid.

Utah on the other hand, is expected to jump from \$6,594 per capita to \$12,110, a 3.8% annual increase.¹

Since 1974, McCall has grown surprisingly fast and many indicators suggest this trend will continue. McCall is rapidly becoming a recreation center. Lake Tahoe; Sun Valley; Jackson Hole, Wyoming; Manitou Springs, Colorado; are all similar recreation centers and share several similarities. For example, they all are naturally beautiful and are near large population centers. They offer excellent recreation facilities, areas, and recreation potential, and they have stable climates which vary distinctly with the seasons. In addition to these similarities, the key to the McCall area, just like Jackson Hole and Lake Tahoe, is the beautiful natural lake and its mountains. It's warm enough for swimming in summer and cold enough for skiing in winter.

In 1978 McCall lost its strongest industry. The Boise Cascade Lumber Mill was closed. (Though logging operations continue, the logs are now shipped to other mills.) This caused the city to reexamine its objectives and its direction. As a result, McCall now identifies itself as a "recreation center" with recreation as its central business.² The direction of growth is currently towards recreation and recreation facilities.

Several recent developments support this new direction. In 1972 the first two condominium complexes were built with 60 units each. In 1978, five more complexes were built, averaging 40 units each. Now, 1981, 26 more complexes have been built or are under construction. This represents

¹"States Where Incomes Will Rise Fastest," U.S. News & World Report (22 December 1980): 50.

²"The 4 Season Funland," McCall (Idaho) Chamber of Commerce, 1981.

500 current units with an estimated growth to nearly 1,200.¹ Figure 4-1 lists the current complexes and approximate number of planned units.

McCALL CONDOMINIUMS AND TOWNHOUSES

Name	Estimated Units ^a	Selling Price ^b
Mill Run	75	\$95,000 - \$209,000 (half sold)
Rustic Village	20	\$71,900
Tamarack Bay	32	\$110,000
Village	75	\$33,000 - \$48,500
Aspen Village	120	\$74,900 (quarter sold)
The Aspens	60	\$95,000 - \$115,000
16th Fairway	30	\$108,000
The Fairways	18	\$185,000 - \$225,000
Greenbriar	34	\$134,500
Brundage Meadow	16	\$59,500 - \$62,500 (sold out)
Shorewood Townhouses	36	\$95,000
Wildwood	24	\$58,000 - \$65,000
Lakefront	11	\$195,000 - \$225,000 (sold out)
Jakes Landing	12	\$98,000 - \$115,000
Browns Palace	80	\$115,000 - \$275,000 (sold out)
Water's Edge	45	\$195,000 - \$225,000
River's Edge	16	\$54,000
River's Bend	24	\$127,000 - \$172,000
Red Mill	140	\$60,000 - planned
Pilgrim Cove	100	\$125,000
The Timbers	20	\$75,000 - \$85,000
Timberlake	80	\$115,000 - \$195,000 (sold out)
Elevation 5,000	40	\$67,000
Lik Creek Townhouses	20	\$89,000 - \$91,000
Crystal Beach	60	\$130,000 (sold out)
Timberlost	16	\$95,000 - \$100,000

^aStar News, 24 September, 8 October and 22 October 1981.

^bMaureen Kennedy, Star News, 17 September 1981, Sec. 1, pp. 1, 2.

FIGURE 4-1

Another indicator which suggests McCall is steadily growing is the continued increase in new homes. Though the number is small, usually 10-15 homes built over a period of several years, Figure 4-2 illustrates a

¹Information taken from Star News articles and real estate ads as well as visits to the McCall area in 1980, 1981.

remarkable list which are all newly planned since 1976. Approximately half of the over 600 units have been built.

MCCALL HOUSING DEVELOPMENTS AND SUBDIVISIONS

Name	Estimated Number Homes ^a	Prices
Brundage Valley	15	
Red Wood	10	
Rio Vista	50	\$195,000 - \$225,000
Lake Fork	10	(Lot \$13,000 - \$25,000)
Timber Ridge	15	
Brundage MT Estates	20	\$62,500
Jug Handle Estates	30	(Lot \$24,000)
Evergreen Terraces	20	\$61,500 - \$84,500
Alta Vista	10	\$129,500
Village Square	10	
Little Ski Hill	30	\$62,000
Payette River	24	\$95,000 - \$185,000
West Mountain	8	\$65,000
Lake Fork Estates East	8	\$189,000
French Creek	12	
Crescent Rim	35	(Lot \$10,000)
Knob Hill	12	
Lucks Point	5	
19th Hole	25	\$66,500
Carefree	20	
Morning Dawn	18	
Jasper	10	
Tamarack Falls	20	\$220,000
Lake Forest	8	\$85,000
Timberline	35	\$59,500
Boulder Creek	25	
Timber Lost I, II, III, IV	30	
Valley View I, II, III	18	\$222,000 (Lot \$11,000 - \$17,500)
Buck Camp	6	(Lot \$15,000)
Pine Terrace	15	(Lot \$11,000 - \$24,000)
Riverside	12	\$127,000
Mountain View	6	
Little Big Horn	50	\$65,000

^aStar News, 17, 24 September, and 8, 22 October 1981.

FIGURE 4-2

The sewage system, built in 1968, was designed to last 40 years. As

of November 1980, McCall used all its allocated hookups.¹ As of September 1981, new construction is underway to complete a new system; however, one of the primary deterrents to current construction is the limited availability of sewer hookups. Many builders are continuing ahead anticipating completion of the new facilities.²

Of course, as the demand for housing has continued to rise so have land prices. In 1968, land within a four-mile radius of McCall was selling for \$400 an acre. By 1970, it was \$1,000 an acre. By 1979 the same land was selling between \$2,500 and \$4,000 an acre.³ Currently, most land within this area has been subdivided and sold. Lots in the city proper have also increased dramatically in value. In 1974, they sold near \$5,000; and in 1979, \$10,000 to \$12,000, and in some cases, \$16,000 to \$18,000. Lake front property, if available, sells for \$300 a front foot or more.⁴

Construction in McCall has continued at a rapid pace despite inflation and the depressed economy. McCall, in fact, has a steadily increasing construction business. For example, during the first eight months of 1980, construction in McCall set a new record at \$6.7 million dollars.⁵ Most of this represented condominium starts which were continuing to sell well. In fact, the highest priced condominiums, \$195,000 to \$225,000, are selling the best because they are tax write-offs for many area investors.⁶ The prices listed for some subdivisions and the condominiums in

¹Star News, 8 January 1981.

²Ibid., 24 September 1981.

³Ibid., 10, 17, 24 September; and 8, 22 October 1981.

⁴Perc Shelton, McCall Realty, Interview, June 1980.

⁵Star News, 8 January 1981.

⁶Kennedy, p. 1.

Figures 4-1 and 4-2 also illustrate this.

One limitation to McCall's permanent population growth is access to McCall. McCall gets up to six feet of snow which causes severe travel problems between McCall and Boise. In the summer, there is yet another traffic problem because traffic is often literally bumper-to-bumper all the way from Boise. People don't like to fight the traffic or bad weather and eventually won't.

There are positive indicators for alleviating the traffic problem. Currently there are plans to build a four-lane highway from McCall to Boise, but no construction date is set.¹ Also, there is an increasing use of air transportation. In 1978, a new fixed-wing air taxi opened business. It offers commercial flights to and from Boise as well as other Idaho cities.

Other new businesses also help to illustrate the rapidly changing and growing trend in McCall. Numbers and types of new businesses established between 1974 and 1980 are listed in Figure 4-3.

From the number of hobby and craft type businesses, it is clear that there is an increase in leisure-time activities. This also shows the trend evident in McCall towards becoming a recreation center.

The increase in the number of employees in retailing also indicates this shift towards service type products. From 1969 when retailers employed 17.5% of the population, it has risen to 25.7% in 1977 and continues to do so. Currently, it employs the greatest segment of the population.²

¹Maureen Robertson, Star News, 18 March 1982, p. 1.

²U.S., Department of Commerce, Bureau of Census, State and County Statistics (Washington, D.C.: Government Printing Office, 1978), pp. 127-128.

McCALL BUSINESSES ESTABLISHED
BETWEEN 1974 AND 1980

Number	Type ^a
2	Banks and Savings and Loans
3	Convenience Food Stores
8	Gift Shops / Antiques
3	Jewelry Shops
3	Hobby Shops
1	Photography Shop
1	Music Shop
1	Furniture Store
4	Restaurants
1	Bakery
6	Construction Companies
1	Lawn and Garden Store
1	Building Supply Store / Lumber
2	Hardware Stores
11	Real Estate
2	Sports Equipment Stores
1	Car Sales
1	Car Maintenance Shop
2	Auto Parts Stores
1	Air Taxi
4	Clothing Stores
3	Motels
2	Paper Products / Printing
1	Shoe Store
2	Appliance Stores
2	Gas Stations

^aVisits by author to McCall, June 1974, 1980.

FIGURE 4-3

Another important indicator of the shift towards recreation is the increase in recreation facilities. As indicated, recreation facilities are God given for the most part. The McCall area borders on the Idaho primitive area which is the largest wilderness area in the U.S. outside of Alaska. The Idaho wilderness is similarly famous for its big game hunting, fishing, white-water boating, and hiking. There are over 150 trout lakes within a 50-mile radius and over 300 trout streams. McCall

itself is located in a valley of lakes. The largest, Payette Lake, on which McCall is located, is ideal for swimming and boating as well as fishing. In addition, there are numerous hiking trails throughout the area. In short, it's an outdoorsman's paradise.¹

Most importantly, many improvements have been made to enhance the recreation opportunities. In 1976, a second chair lift was built at Brundage Mountain Ski area, an area noted for its powder skiing. Also a T-Bar was built at the club hill just a mile from McCall city limits. Cross-country ski trails were established at the club hill and also throughout Ponderosa State Park which covers the peninsula extending into Payette Lake. In addition, each year numerous ski meets are held at these areas. In 1979, McCall began hosting the National Ski Team for cross-country events. In 1980, the first National Biathlon races were held in McCall.² It's highly probable that McCall will continue to grow as a well known ski resort. Indeed, McCall has already produced eight Olympic skiers plus several professional racers.³

In addition to skiing, recently ten tennis courts were built; nine new golf greens were opened; a large covered skating rink was constructed; a dirt bike course was established; several snowmobile parks have been cleared; and many other similar related facilities have been improved.⁴

McCall has also extensively improved its five public beaches and docks and several of its city parks. Several softball diamonds have been constructed as have soccer fields. Park tables, play ground equipment,

¹"Visitors Guide," Star News, 1980, pp. 3, 19, 23, 27, 35, 37.

²Ibid., pp. 27, 29, 31. ³Ibid.

⁴"The 4 Season Funland," McCall (Idaho) Chamber of Commerce, 1981, p. 3.

restrooms, and other facilities have been added or upgraded.¹

McCall continues to host more recreation-type activities. The annual winter carnival draws over 15,000 people to ski races, snowmobile races, dancing, talent shows, and parades. In summer, the Fourth of July and, recently in mid-August, the Water Carnival, also draw equally large crowds.²

McCALL, VALLEY COUNTY, IDAHO, AND UTAH
POPULATION AND PROJECTIONS

	3.16%	4.3%	32.4%	37.9%
	City of	Valley	.02945	.03445
	McCall	County	Idaho	Utah
<u>Actual Population</u>				
1970	1,758	3,609	712,941	1,059,490
1977	2,017	4,845	874,636	1,340,568
1978	2,081	5,054	897,736	1,380,722
1979	2,147	5,271	920,835	1,420,876
1980	2,215	5,496	943,935	1,461,030
<u>Projected Population</u>				
1985	2,587	6,786	1,091,572	1,730,305
1990	3,023	8,376	1,261,566	2,014,760
1995	3,532	10,339	1,458,317	2,333,729

SOURCE: Growth rate and beginning population data taken from "Who's Gaining, Losing in Population Race," pp. 57-59. McCall population taken from U.S. Bureau of the Census figures published in Chamber of Commerce fact sheet.

FIGURE 4-4

¹Ibid.

²Ibid.

The projected population figures for the city of McCall and Valley County are listed in Figure 4-4. From 1970 to 1980 McCall grew at an annual average rate of 2.16%. Currently this rate has risen to 3.16%. Valley County itself is growing at a rate of 4.3%. Between 1970 and 1980 McCall's population has risen from 1,758 to 2,215; the county, from 3,609 to 5,496.¹ The state's projected growth as well as Utah's is listed since Utah impacts Idaho. Further market area population data are given in section three.

Business Interviews

One good indicator of future growth and development is the local population's receptiveness to it. The following summarizes comments from informal interviews with business people and citizens of McCall. These were done primarily between 1978 and 1980 and are listed in appendix 4-1 by respondent and business.

Nearly everyone in McCall agrees the area is growing and is rather prosperous; however, they also readily point out that a business must be able to survive the scarce winter months because business is highly seasonal. Those in the fine crafts especially recognize this. All real estate agents interviewed were especially optimistic. The majority are also actively involved in building income properties. All indicated McCall is a boom town.

The bulk of interviews were directed at the fine craft businesses because these most nearly resemble E-da-how. All owners were optimistic about McCall's future as a market for arts and crafts. They stated that

¹Star News, 24 July 1980, p. A-2.

during the summer McCall is a bonanza. Without exception they said business has continued to grow.

Velma Shoemaker, past, long-time president of the McCall Chamber of Commerce, also reflects this general feeling. Velma clearly pointed out that she had seen the arts and crafts market continue to grow, especially over the last five years.¹

The outlook for growth in the McCall area is bright. The city caters to the recreationist and strongly supports the summer population. Because the market is seasonal the city is continuing to promote more activities for winter.² As a result McCall is rapidly growing as a year-round recreation center and it promises much.

2. Time Frame and Progression Chart

1978 Time Base with Projections

A marketing and retailing plan often uses one year as a time frame with certain goals and activities to be completed and updated annually. This study is based on a very broad and flexible time frame with 1978 as its base year. Major milestones have been identified in Figure 4-5. This illustrates the timing and estimated completion dates. Other specific marketing and production goals are outlined in their respective sections. Most importantly, the entire schedule is reviewed and updated annually.

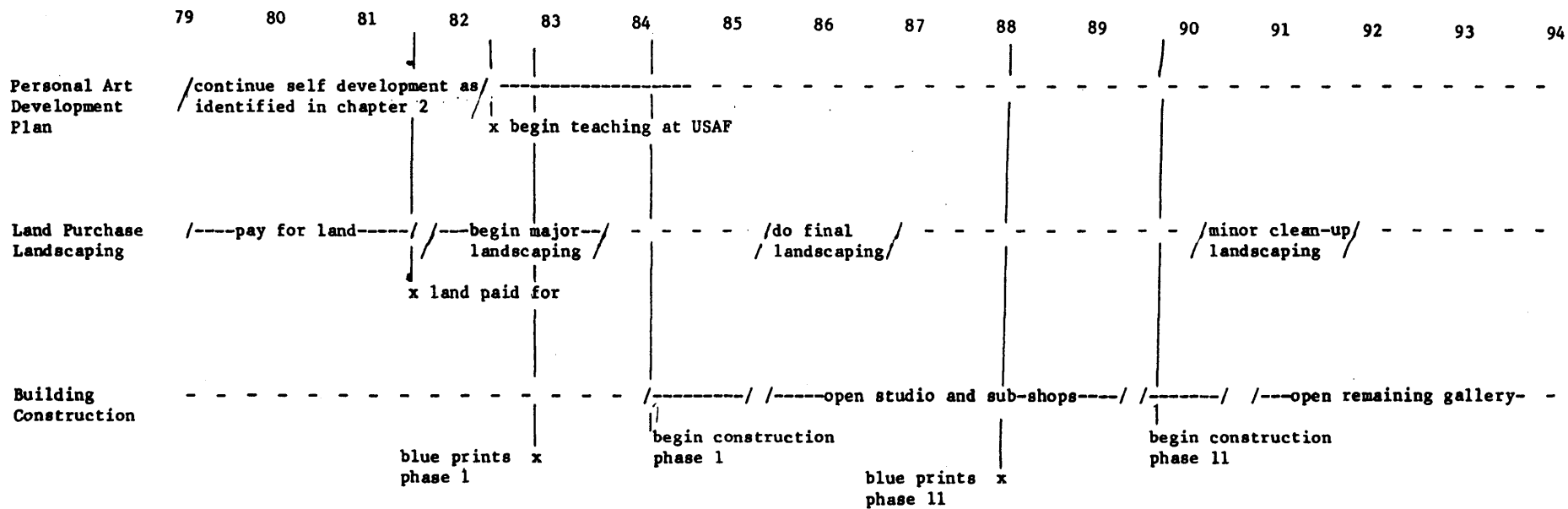
3. E-da-how Market

Much previous material has indirectly referred to the potential art

¹Velma Showmaker, interview at McCall Chamber of Commerce, McCall, Idaho, June 1978.

²Ibid.

E-DA-HOW MILESTONES
1979-1994



x indicates position in time when the noted projects begin.

(continued on next page)

E-DA-HOW MILESTONES
1979-1994
(Cont'd)

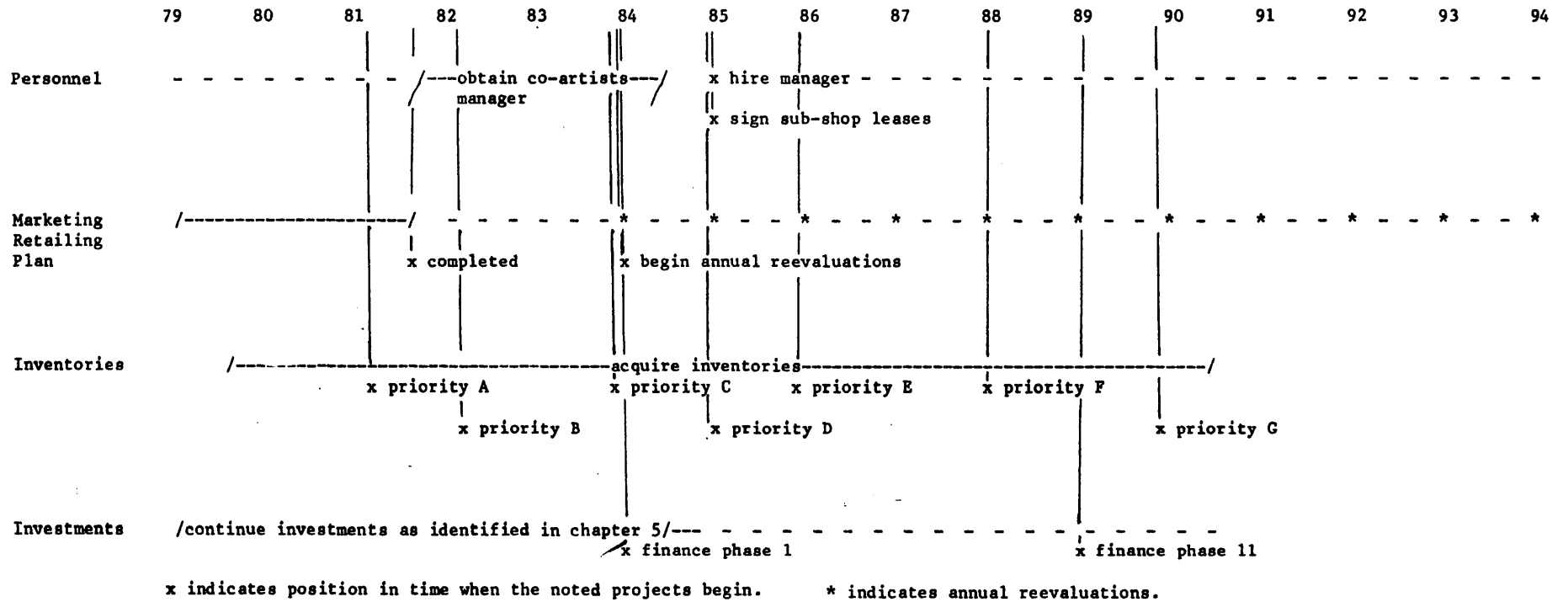


FIGURE 4-5

market. This section briefly addresses the general fine-art market. E-da-how's specific market area and its customers are then identified. Finally the development of the author's current market is addressed. These concepts are also useful to other artists and gallery owners in identifying and building their own markets.

General Art Market

The art market currently has a bright outlook in the United States. A larger percentage of the population is increasingly becoming financially secure. This is especially true of the people between age 40 and 60. There is an increasing number in this segment who own homes, have enjoyed successful careers, have no children at home, and are able to spend money on art and art objects; and they are increasingly doing so. Carole Katchen identifies art collectors as people from ". . . 'middle America.' They have earned enough money to pay for the necessities and conveniences; now they want luxuries, . . . art."¹

There is probably no definite picture of the art collector because he/she spans the range from the beginner, to the individual collector, to the investor, and to various groups: corporations, designers, and museums. The artist literally has a range to pick from. What is known is that there has been a general increase in art purchases and paintings in homes. Whereas a few years ago the vogue was photographs and posters, original art is finding its way into American homes. This may partially be due to the increasing per capita income and the desire by people to enjoy their affluence. The trend may also be partly due to more stable times and a greater awareness and appreciation of art. The government has certainly helped promote the arts with recent percent-for-art legislation, and many

¹Katchen, pp. 54-59.

more schools--grade school through college--teach various art classes. Television has also done much to promote art. The result has been an increase in art demand.¹

Calvin J. Goodman, an art management consultant for over 20 years, estimates the annual art market in the United States currently \$2½ billion.² Approximately \$1.8 billion is generated by 30,000 living professional artists of whom 5,000 generate \$100,000 or more annually. For the past six years art sales at U.S. based auction houses have increased by over 30% per year. In 1980 sales were in excess of \$500 million. The trends indicate continued upward movement in the art market.³

One important segment of the market deserves closer attention. This is the art investor. Robert Schonfeld identifies art as a good asset and a good method for increasing a person's net worth. He says this has been brought about by the increased liquidity of art caused by the auction house and the increased demand for art over recent years. There are more dealers and collectors, and art knowledge has increased such that there is a much greater market for art.⁴

Business has also greatly aided art since the late 1960's and has contributed to the general increase in art demand. The current outlays are over \$70 million in direct purchases, but this does not count other support such as facilities, programs, support to organizations, and employing artists in residence.⁵

As George Steiner in his book Business and Society points out, "We seem to be entering a period of general public recognition of the

¹Ibid. ²Goodman, pp. 66-69. ³Ibid. ⁴Schonfeld, pp. 18-108.

⁵George A. Steiner, Business and Society, 2d ed. (New York: Random House, 1975), pp. 315-319.

importance of supporting the arts." He points out it is important to the well being of workers and managers to have an environment rich in arts to stimulate creative abilities. Art provides an increasing satisfaction and is necessary for the sense of fulfilment people seek. In short, art stimulates life and for this reason businesses support, and should support, the arts.¹ Perhaps this is also the strongest reason individuals collect art. Nevertheless business has helped increase the demand for art and provides a good market for artists.

In short, there is currently great potential for art sales in the U.S. As Goodman points out, it is primarily up to the artist whether or not he/she wishes to succeed. He states if the artist wishes to develop his/her market then sales are available. The primary problem is that artists are reluctant to market their abilities. Those who do generally find a willing market and succeed.²

E-da-how Market Area

The market area for E-da-how is broken into a primary area and a secondary area (Figure 4-6). Basically, the primary area includes McCall and the surrounding villages within 50 miles. Generally speaking, this is equivalent to the population and area of Valley County. It also includes the summer population since they are very much part of the city. The secondary area includes Boise and the Boise valley. At this time much of the study is directed at the primary area though it indicates potential for the secondary area.

The population of the primary target area is nearly the same as the

¹Ibid.

²Calvin J. Goodman, "How to Succeed by Really Trying," American Artist 43 (July 1979): 69-72.

PRIMARY AND SECONDARY MARKET AREAS

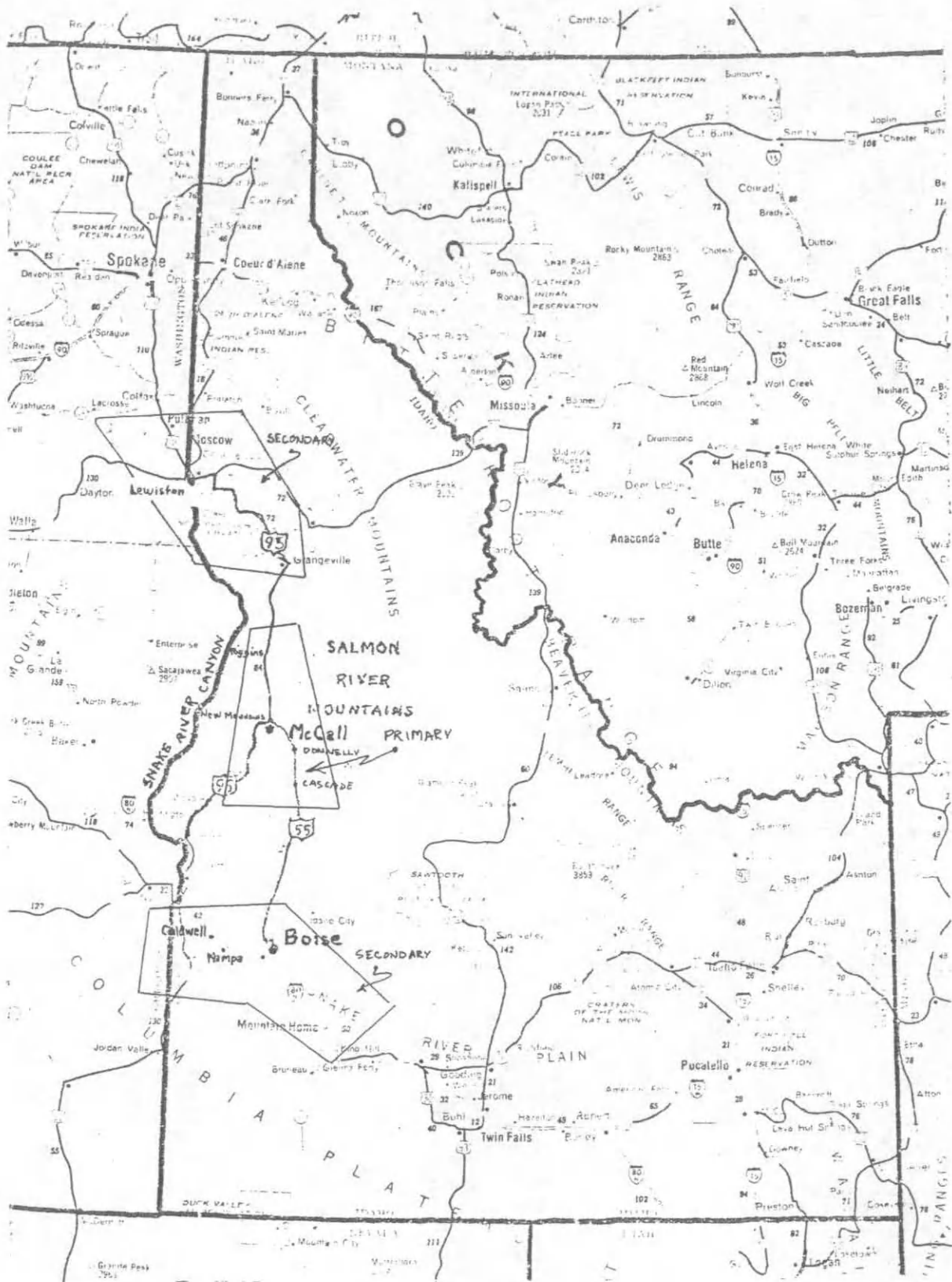


FIGURE 4-6

population of Valley County. During the winter, it would average 5,000 people. During the summer, 10,000.¹ The secondary area includes 100,000 people.²

Market Characteristics and Potential

The market area can generally be described as vigorous and growing rapidly similar to Los Angeles, Denver, and Colorado Springs. There are basically five segments of potential customers composing this population. The first category is termed the permanent population and, except for the summer time residents, is the population within a 50-mile radius, about 5,000 people. The radius includes virtually all the major towns in Valley County. Basically 1,690 of these people are lower middle income laborers which include loggers, miners, farm hands, Forest Service workers, and workers in service related jobs. About 220 are employed full time by local government and 350 are employed by Federal Government. Approximately 230 are full time ranchers or farmers, though this is declining. Another 440 are employers or are self employed in that they own their own businesses. Of the remaining 2,070; 1,130 are students and 400 are over age 65. The remainder are not accounted for except as mothers at home and the unemployed.³

Per capita income for Valley County was \$5,728 in 1978. This is considerably below the state average of \$7,074.⁴ As is, it does not

¹"Visitors Guide," Star News, 1981, p. 19.

²"Who's Gaining, Losing in Population Race," pp. 57-59.

³State and County Statistics, pp. 126-128, 132. (Updated according to percentage of each segment.)

⁴The state average is slightly inflated due to the large population of millionaires in Idaho. However, these millionaires tend to vacation in places such as McCall and represent a very good market.

represent a strong market for art. This segment tends to be workers who do not have a great deal of discretionary income. Though they would be purchasers of paintings and crafts of the surrounding area, they would probably be in the \$75-\$150 market and not the \$400-\$500 painting market. The permanent population does enjoy a great deal of recreation such as skiing and hunting, but much tends to be done out of necessity or at the expense of other activities. This population also occupies 2,012 households. This is significant in that there are an additional 2,974 vacant summer dwellings.¹ These additional 3,000 homes represent the most likely market for E-da-how as these people also represent the upper middle income levels. (Indeed housing prices listed in Figures 4-1 and 4-2 support this.)

The second significant segment of the population is the college age student. They are typical youth and not considered a potential market for E-da-how.

A third segment in the McCall area is the true tourist. McCall is a summer resort and is beginning to cater to the short time visitors. Because tourist souvenirs are usually not high quality items, E-da-how does not intend to stock them. However, some less expensive E-da-how items of a local nature will probably appeal to McCall tourists. Nevertheless they are not a primary market.

The fourth segment is the convention population. As indicated earlier, McCall is acquiring a reputation as an Idaho convention center. Because of its physical location, E-da-how will attract the convention attenders. Though not likely they would purchase major paintings initially, this market could be developed by advertising through painting loans to Shore

¹ Star News, 24 July 1980, p. A-2.

Lodge. Other possibilities exist; therefore this segment may become more important.

Target Market and Target Market Potential

The fifth segment of the population and the portion which is E-da-how's target market is the upper middle income and upper income summer population which owns summer homes or condominiums. Unfortunately, it is difficult to obtain marketing data on these people. This fact is probably not entirely unintentional. For example, as indicated earlier many of the expensive condominiums have been purchased as tax shelters.

Currently there is no list of names or addresses of these summer home owners. The phone book lists mainly permanent population and even then does not list street addresses. Many summer residents have unlisted phone numbers or simply do not bother with a phone for the several weeks they are in McCall. Likewise, few summer residents rent mail boxes. In short, little has been done to identify who lives where. In turn, it's practically impossible for anyone, even a native, to locate or track down summer residents in McCall.¹

However, by observing the buying habits and dress of this market segment, there are indicators which show they have larger discretionary incomes. As suggested earlier, for example, their buying potential is indicated by the fact that most of these people have purchased a second home for anywhere from \$80,000 to \$250,000. Their buying potential is also indicated by observing their clothing, the cars they drive, and their sports equipment.

McCall Air Taxi indicates many of its customers as well as Pioneer

¹Dave Spielman, Past Owner of Dave's Grocery Store, McCall, Idaho, discussions, 1970.

Aviation's customers are these home owners. Most of the passengers to and from Boise on Friday and Sunday are doctors, lawyers, and businessmen who want to avoid the congested traffic between McCall and Boise. To do so, they hire a light airplane at \$75 an hour or \$150 a trip. The taxies average ten such trips a weekend.¹ Furthermore, at any one time during the summer, there are 30 to 40 or more privately owned airplanes on the ground at McCall.²

In short, this segment presents great market potential. E-da-how is continuing to study how to reach and develop this market. Several ideas are presented below.

Developing the Target Market

E-da-how must contact, communicate with, and sell works to the upper middle income summer residents of McCall. The problem E-da-how faces is the same faced by all McCall merchants. Though this summer population has discretionary income; it tends to purchase necessities or recreation in McCall--that's why, for example, there are not a large number of auto dealers, boat dealers, etc. Instead these people make their major purchases back home.³

E-da-how has an advantage because its product is a local product. The paintings it produces are of McCall, by artists native to the area. It is easier for an artist to sell works of an area in which he resides and with which he is familiar, than of an area in which he does not reside and with which he is unfamiliar. Many examples of artists support this: Charlie Russell, Montana; Norman Rockwell, Virginia; Andrew Wyeth,

¹William H. Dorris, President McCall Air Taxi, interview at McCall Air Taxi, September 1981.

²McCall Air Taxi visit, June 1978, 1980.

³Dave Spielman, Owner Dave's Market, employer, 1967-1970.

Maine; etc. Thus an artist of McCall can sell paintings of McCall wilderness in McCall or, for that matter, Boise. But a Boise painter would find it more difficult to sell paintings of McCall in McCall. There are exceptions of course, but this factor should greatly help the author develop his McCall market.

Personal contact, letters, and special shows are being used to develop this market. (These aspects are developed under the advertising study in chapter 5.) Even so, the author must continue to develop a demand for his paintings. In that respect, when E-da-how opens, a significant market demand would follow the author's paintings.

Development of Sub-Shop Markets

Each renter is expected to develop his/her own particular market. Advertising by the venture and each sub-shop would assist in this effort. Because the author's markets and the renters' markets are similar they would be developed through similar methods (chapter 5).

4. Current Customers' Needs and Characteristics

The current and the future E-da-how customer and his needs, and the characteristics of current customers, are discussed in this section. Projections of future characteristics and needs based on identifiable trends are then presented.

Current Evaluation of Customer Needs and Characteristics

The author has sold 17 notable major paintings between 1976 and 1981. Data on these works are listed in appendix 4-2. Several findings were made based on the data. Of the 17 purchasers, 10 were Air Force officers and friends of the artist. Nine indicated they expected the paintings to appreciate in value and that this was a primary reason for their purchase.

Also 13 buyers were outdoorsmen, either hunters or hikers, who liked the subject theme. The most distinguishing characteristic was that they were beginning to collect art works. Most were first-time art purchases. The typical customer can presently be defined as a white collar worker, age 35, income \$24,000, with a love of the outdoors and wildlife, and a person who is beginning to collect art.

Evaluation for Future Needs and Characteristics

After selling a painting the marketing aspects are recorded. Currently the purchaser does not complete a questionnaire; however, specific data are sought. This information is ferreted out during the conversation in selling the painting. Typical "questions" which help in future marketing and assessing customer needs are listed in Figure 4-7. The object is to sell a painting because of its quality, statement, and investment potential.

MARKETING DATA SOUGHT AFTER A SALE

- Why did you select this painting?
 - to decorate a room
 - as an investment
 - it had a statement
 - as a gift
 - reminds me of some place/some time
- How important was the price in your selection?
- What did you like most about it?
- What other art works do you own?

FIGURE 4-7

After a sale several pieces of information are recorded on each buyer and painting. This includes his/her name, address, and phone number. The purchaser is also given the opportunity to record comments concerning the

painting. The purchaser is told the information is helpful for servicing the painting and so the purchaser could be contacted for future shows. The final marketing data are obtained from the painting itself. Samples of these data are shown in Figure 4-8. In addition photographs are taken of each painting. These data help to further show the buying habits and hence characteristics and needs of potential customers.

One other notebook is kept for data. These are basically notes on actually painting the work. A sample of these data is shown in Figure 4-9.

PAINTING NOTES

80-2 East Gap, Oil, 36 x 24, 32 hours, March 21, 22, 23, 24, 1980

-- Near Helena, Montana - from memory

-- Clouds are brush - elk, brush

-- Grass is steel wool - rest knife

I found by painting in grass shadows with thick blobs - I could then place knife blobs of lighter color over the shadows and use steel wool to draw the single blades.

Redid sky three times - got to learn to block in shadows more carefully!

FIGURE 4-9

Customer needs in terms of type and style of painting will change as will the characteristics of the customers. By recording and tracking these data, the artist can emphasize and improve his/her strengths as well as meet the changing needs of the customers.

5. Competition

According to Larry D. Redinbaugh in his textbook Retailing Management,

Painting Marketing Notes

<u>Date/#</u>	<u>Print #</u>	<u>Date Sold</u>	<u>Title</u>	<u>Size</u>	<u>Sq"</u>	<u>Price</u>	<u>Sold</u>	<u>Sq" price</u>	<u>Additional Cost</u>
80-2	NA	(8-81)	East Gap	36x24	864	300	300	.347	none

<u>Varnish #1</u>	<u>#2</u>	<u>Commission</u>	<u>Name</u>	<u>Age</u>	<u>Occupation</u>	<u>Approx Income</u>
Aug 81		Yes	Bob Lee	42	Air Force	\$25,000

Address/phone (sample)

1358 E. Fork Road
 White Bear Lake, Minn 32653
 (207) 638-2195

Reason Purchased

Hunter - likes outdoors - loves elk

<u>Investment</u>	<u>Gift</u>	<u>Decoration</u>	<u>Other</u>
Yes			

FIGURE 4-8

"A retailer's competition should be surveyed and analyzed for quantity, quality, and extent of aggressiveness." In addition, he stresses that management should consider the present and potential impact of competition. Several questions should be answered including the following: identity, product lines, future plans, competitors' customers, price strategy, and competitors' image.¹

Current E-da-how competition in the primary marketing area is discussed below. Each competitor is addressed in a separate subsection. A brief description is first given followed by a description of the physical structure and present ownership. The businesses' product lines are identified and those which compete directly with the E-da-how lines are carefully compared. The current pricing policy is also identified. Finally, there is a description of present customers, the current image, and the businesses' future plans. All data were gathered from interviews and visits to these businesses primarily during 1976, 1978 and 1980.

Competitors Identified

There are presently three competitors E-da-how is concerned with: the Art Mart, McCall Jeweler, and Humphrey's. Since much may change in the next few years these competitors must be examined periodically in the future and only general trends are treated in this study. New competitors will certainly arise and they'll be studied in a like manner.

Of all the potential and actual competitors in McCall, the Art Mart is the most viable. It competes as a gallery, framing shop, and artist supplies retailer. Most of the analysis on competitors centers on the Art Mart.

¹Redinbaugh, pp. 136, 155.

The Art Mart¹

The Art Mart was established in 1972 as a branch of Antelier's of Boise, Idaho. Until 1975 it was a part-time operation, supported financially by the Boise gallery. In 1975 it became independent but continued to sell paintings, art supplies, and business and office supplies. The business still maintains close ties with the Boise gallery and consequently promotes the same artists the Boise gallery promotes.

The business is located in an old two-story home on Main Street in down-town McCall. The rooms are small and consequently display area is cramped and lighting is poor. The roof shows numerous water spots and in fact several artists reported having their art works water damaged. Heating is very poor and its single source is an electric heater on the first floor. There is also a full size basement where a few paintings are hung; however, it's used primarily for a frame shop and office supplies. The previous living room which serves as the main gallery faces Main Street and has a picture window. The walls of this room are paneled and the floor, carpeted. There are also a few well placed lights in this room.

The proprietors are an older couple and aged about 55. The husband manages the office supplies and the wife handles the painting sales. Both appear inattentive to customers and to the manner and upkeep of the merchandise displays.

Most of the merchandise is Idaho art. Indeed the Art Mart does handle works by some leading Idaho artists, for example, Robert Thomas, Dan Looney, and Quinton Gregory. This is a direct result of contacts with the Boise gallery. Each month they also feature an area artist and have

¹Karen and Maury Ainger, past owners of Art Mart, visits and interviews, 1974-1980.

reserved a small room which can accommodate approximately 12 medium sized canvases. Other merchandise includes some prints, small gifts, small lapidary items, note cards, stationary, and knick-nacks.

Over all merchandise is handled rather poorly. All paintings are handled by consignment, records being kept on 3 x 5 cards, and the gallery charges one third as commission. The better known Idaho artists are displayed in the main gallery. The local artists are displayed in the back room, basement, or upstairs--certainly not an encouraging situation for native artists. The exception to this is the monthly featured artist.

In addition to paintings the Art Mart does custom framing; however, often they order ready-made frames from Boise. There is no modern framing equipment such as a frame chopper, mat press, or cutting board and this limits their ability.

The Art Mart also sells art supplies. This is a very restricted line however, and the total floor space for supplies is 40 square feet. The Art Mart is limited to a few supplies of the very basic items, for example, small to medium canvases, less expensive brushes, and only medium quality paint (Grumbacher Pretest for example, and not Grumbacher Finest).

Pricing for paintings on consignment is determined by the artist with the proprietors' advise. Other Merchandise such as stationary and office supplies are priced at full retail price as recommended by the wholesaler. There is no discount to artists as is practiced by many art supply dealers. Prices are comparatively high, which is understandable, since little competition exists in McCall.

The Art Mart's customers are the same as those identified for E-da-how except perhaps the Art Mart does not generally draw the upper, middle income customers. It does reach several since the Art Mart does sell Quinton

Gregory's works occasionally. Most of all sales however are \$40 to \$50 and are of medium quality. Most of the paintings also depict McCall landmarks and area landscapes.

The Art Mart's image is not entirely favorable. Local artists, with minor exceptions, are unhappy with the manner in which their paintings are displayed and handled. In fact, as noted, several works have been badly damaged and in at least one case lost.

Customers apparently view the Art Mart as a good shop to browse around in, and they purchase a good number of knick-nacks. The Art Mart is a going concern and intends to remain in business. The poor health of its owners or a new competitor could easily change this intention.

McCall Jeweler¹

McCall Jeweler is best identified as a standard jewelry store in that the product lines are similar to Zales or Wilsons, only they are much more limited. The firm handles watches, watch repair, colored stones, and wedding rings as well as some china and silverware. McCall Jeweler is also the sole jewelry repair shop in McCall.

McCall Jeweler is a limited competitor. It does only a limited amount of silver work, casting, or personally designed jewelry. McCall Jewelry, instead, depends on selling established merchandise lines. The uniquely designed and individual investment quality pieces E-da-how would sell are not yet handled by McCall Jeweler; however, McCall Jewelry is beginning to expand into this area. Currently the primary area McCall Jeweler competes in is selling wedding sets.

McCall Jeweler intends to remain in business and their customers are

¹Rex Campbell, past owner of McCall Jeweler, visit and interview, June 1974, 1976, 1979.

primarily local residents. Most business is watch and jewelry repair. Recently McCall Jeweler has expanded into Idaho souvenirs and knicknacks which appeal to the many summer time shoppers. However they price near the top of the scale which discourages sales of major items because these can be purchased less expensively in Boise. McCall Jeweler does not seem to be reaching much of the potential jewelry market--certainly not the upper, middle income market.

Humphrey's of McCall¹

Humphrey's is an import gift store, and because it carries some sculpture and fine jewelry, it is a potential competitor. It handles manufactured gifts as well as consignment pieces from craftsmen and is located in a large brick building on the corner opposite McCall Jeweler. Humphrey's takes up the bottom floor of about 1,200 square feet. It is well decorated, attractive, and uses modern display cases. The merchandise is expertly displayed.

Humphrey's is owned and operated by a young couple in their early 30's. In 1977 and 1978 they both stated they were optimistic about increasing sales and the future improving market. He is an aggressive businessman with pride in the unique items he stocks. It is clearly a profit oriented business.

Product lines vary; however, they are mostly costume jewelry and art objects. The firm also handles large stocks of candles, macramé, wall posters, rugs, glass window ornaments, planters, jewelry boxes, centerpieces, and hand-crafted jewelry. The jewelry is unique and will most definitely compete with E-da-how. Most gemstones are Idaho material such

¹Visits and interviews with Humphrey's manager at McCall, Idaho, 1977, 1978.

as Idaho picture jaspers set in leather and silver wrist bands, necklaces, and belt buckles. Humphrey's does not produce its own jewelry stock, but instead relies on local and western craftsmen to provide it. Other stocks are supplied through standard gift wholesalers.

Humphrey's prices some merchandise on consignment but most are standard retailing prices. Jewelry is priced by piece and compares with hand-crafted items of a similar nature found throughout Idaho, Montana, and Colorado. About 15% of the jewelry contains rare gems. E-da-how would carry rare gems in finer settings; therefore, these products compete.

Humphrey's customers are the summer visitors as well as the local population. About 50% of gross sales are gifts, standard household decorating items, and candles. The other 50% is fine Jewelry. As a result, Humphrey's image is one of being a slightly more expensive gift shop and decorator store with some unique imported gifts.

Humphrey's is now well established and has no intentions of relocating or selling. The proprietor indicated there are no plans for future growth or changes in their current product lines. There is no intent to expand to include paintings or finer jewelry which would compete more extensively with E-da-how.

Other Competitors

In addition to these aforementioned competitors, there are a number of other hobbyists and small part-time businesses that compete for a portion of the art, art supplies, or jewelry market. Among these are Ron Parks and Wallace Hendrickson who are primarily wholesale dealers in Idaho rough gem material. They are a good source for material for E-da-how as they are both commercial cutters. Both sell primarily through retail outlets throughout the United States. Secondarily they sell retail through

their homes.

Jim Heckathorn of Jim's Rocks is also a minor gem and jewelry competitor. Jim's Rocks primarily caters to rockhounds, however, and carries costume jewelry in contrast to the high quality jewelry E-da-how would handle. Jim's is also a potential merchandise source.

The Hobby Hut, a new venture in the airport business district, sells art supplies; however, it carries a much more limited line than does the Art Mart.

These similar businesses will be tracked. However, none appear to be seeking the upper level, middle income customer, nor are their products direct competition. Therefore these businesses pose little threat.

6. Product Line Planning and Product Management

Product lines, production objectives, and product management policies are addressed in this section. A general product strategy and method for meeting production goals are also identified. Finally some legal requirements for merchandise protection are listed.

Product Objectives and Product Line

The product objectives and product lines would support the needs of the target market--the upper, middle income summer visitors. Again, adjustments would be made as objectives and actual products are redefined as the market changes. As stated earlier, E-da-how wishes to be known as a retailer of high quality, investment-potential, art works. With such an image, E-da-how products are expected to appeal to the upper level, middle income target market. At the same time much of the early potential market would be lost if the venture did not also target the many summer visitors of a lower income. Therefore, until the venture can rely totally on the

upper middle income people, this secondary market will also be developed. This would be possible because the arrangement of the gallery and sub-shops allows products of differing quality to be separated. E-da-how would carry a product which appeals to both.

Author's Product Lines

The author's product lines currently consist of major oil paintings, cards, stationary, and some prints. Actual product production objectives, and thus, the product mix, are identified in Figure 4-10 (replica of Figure 2-20).

ANNUAL PRODUCTION GOALS

1. Complete two 48" x 36" oil paintings.
2. Complete ten 36" x 24" oil paintings.
3. Produce 10 new Christmas cards, 255 each, 35 painted, 220 printed.
4. Practice and study art two hours per day.

FIGURE 4-10

Art Supply and Frame Lines

E-da-how would carry art supplies and frames from popular lines with high demand. These lines would be medium quality with middle prices with one line of the highest quality and top prices. The lines would also be based on high usefulness and availability. Art supplies would be limited to primarily four companies: Liquitex, Speedball/Hunt, Grumbacher, and Windsor and Newton (select quality) (Figure 6-4). Initially the lines would include the standard supplies of medium quality; however, in 1987 and 1989 the Windsor and Newton line would be carried as well as a line of highest quality brushes and paper. Likewise frames would initially be

limited to both water color and oil frames of three types: Mexican, Sito, and Graphic (Figure 5-11). Initially the framing center would carry 50 different patterns of mats and frame moldings. In 1987 these two lines would be further expanded. The objective is to carry strong lines which could be well stocked and to avoid tying up capital in numerous specialized inventories.¹

Product Strategy

E-da-how's product strategy differs for each product. In terms of artist supplies and framing goods, the strategy is to carry a high quality, highly useful, and popular line. For products E-da-how creates, the strategy is to create a high quality, unusual and distinctive product which would likely appreciate in value.

Methods to improve quality and demand for the author's paintings were identified in chapter 2. For example, by successfully competing in juried shows, a certain amount of collectability would be expected. In addition, by following the product plan an increasing number of works would be on the market.

In 1974 the author first began printing and hand painting Christmas cards. As a result over 8,000 people have been exposed to samples of his art work and abilities. It is reasonable to expect there has been some increase in demand for his major works as a result.

Demand can be further increased by selling full color lithographs of highly successful major paintings. This strategy would not be used until 1985. Basically, it entails selecting some of the artist's best works and reproducing them at full size. In turn, they are signed by the artist, matted, framed, and sold at a much lower price than an original

¹Redinbaugh, pp. 206-207.

work. Thus the artist can increase exposure to his/her works by being able to show simultaneously with several galleries and at several shows. Thereby the artist could increase his/her popularity, and ultimately increase the demand for his/her originals.

Quinton Gregory uses such a strategy. He sells originals for over \$1000 and his prints for \$150. This strategy allows him to concentrate only on major works and not feel as pressured to produce numerous salable works for several galleries.¹

There is a difficulty in using this strategy. The artist must continue to produce original works of high quality deserving of reproduction, and he/she must provide a constant supply of new competitive works. The mix of lithographs to originals is also different for each artist. If an artist is immensely popular he/she can produce a larger number of prints from an original. Conversely, if an artist is not well known his/her prints will have limited success. Also, a good share of the potential buyers may be satisfied with waiting until they can buy a less expensive reproduction if they know it is coming. Consequently the demand for originals may even drop. Such a drop in demand could also occur if some art buyers purchase for an investment and reproduction rights. In short, prints can work push-pull: they can spur on popularity and sales or they can decrease an artist's reputation as a "pure artist."

Legal Requirements and Product Protection

Since a large part of the product is fine art, much of the protection results from newly revised copyright laws. Essentially, each painting is the artist's property and his/her rights are automatically protected for his/her lifetime. All that is required is that the artist sign the work,

¹Quinton Gregory, interview at Art Mart, McCall, Idaho, 1978.

date it, and identify it as copyrighted. Only those paintings which are actually published (printed and distributed) would have copyrights registered. This is done by submitting two copies along with Form VA, Application for Copyright Registration for Visual Arts, to the copyright office.

E-da-how would further protect all works by keeping record photographs in addition to the previous records cited. In addition many artists now number each work. Since numbers are sequential, for example, 1980-25, 1980-26, 1981-27, no forgeries could be inserted.

Each painting is also sold with a statement which clearly lists the buyer's rights. This includes such items as reproduction rights and resale rights. It also identifies certain artist rights such as the option to show in national shows. Presently no rights or restrictions are imposed, except show rights.

7. Human Resource Development and Procurement

This study does not greatly identify human resource development and procurement because of difficulties in committing people several years before the venture opens. The most critical position to fill is a full time manager. Employee requirements, a general analysis of their jobs and job descriptions, and a tentative compensation plan will be outlined in this section.

Required Positions

E-da-how must obtain and employ a full time manager. In addition, the venture needs people who can perform the following functions: lawyer, accountant, sales clerk, framer, and grounds and maintenance supervisor. Each sub-shop would be wholly responsible for its own personnel requirements.

Employee Standards

There are certain desirable traits which the venture seeks in its future employees. Though these cannot be all encompassing, certain qualities are necessary for the venture to succeed. These criteria are especially important for the sub-shop renters. Figure 4-11 identifies several.

DESIRABLE EMPLOYEE QUALITIES

- *1. Creative personality
2. Intelligent
3. Stable life-style
4. Good grooming
5. Responsible
- *6. Life goal or drive to be successful at particular art form
7. High achiever, high producer
8. Dedicated
- *9. Motivated by task vs money (professional)
- **10. Some management or retailing background
11. Business experience
12. People oriented

* Requirements for sub-shop artists
** Manager

FIGURE 4-11

Job Requirements and Compensation

The managerial position is the most critical to fill. In general the manager is responsible for carrying out all functions of management. He/she is essentially the sole operator responsible for the overall business and would continue to plan the venture, organize the personnel, staff the business, direct functions, and control affairs. The manager is responsible for procurement, production, marketing, developing, financing, and public relations. In short, he/she implements and updates the long term plan. Although the manager must have the authority required to carry out the plan, he/she would be accountable to the owner.

The compensation plan for the manager would be a salary plus a percent of gross profit. Starting salary would be \$850 per month and would increase by 3% annually. Currently a manager for a small retail business in McCall can be hired for \$750 to \$800 per month.¹ The annually increasing salary would compensate the manager for his/her increasing worth and the increasing workload, and it would provide incentive to remain with the business. In addition a percent of gross profit would also provide incentive to the manager to increase sales. Initially a 3% of gross profit compensation is planned. It would apply only to consignment sales, artist supply sales, and frame sales. It would not apply to rent or the author's paintings sales.

This package would give a manager an opportunity to benefit from his/her efforts. For example, 1985 annual compensation would be \$10,200 plus an estimated \$350 from gross sales. In 1990 this would be \$11,820 plus \$800 for \$12,620 total (Figure 4-12).

In addition to the general manager position, E-da-how would staff several part-time functions; however, until business activity is sufficient several of these functions such as sales clerk and framer would also be filled by the manager. The manager would determine this activity level. A sales clerk would be hired on a part-time basis as needed. This would most likely be the summer months and the Christmas season. His/her compensation would be an hourly wage. Because the sales clerk would primarily sell art supplies, frames, and consigned paintings while the major sales would be made by sub-shop renters, a commission compensation plan is not desirable. A framer would also be trained and employed as needed.

¹Telephone interviews with Perc Shelton, McCall business investor, and Bill Dorris, manager, McCall Air Taxi, March 1982.

EMPLOYEE REQUIREMENTS AND COMPENSATION

Position	Employment Period	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
*Manager	12 Mos	10,200	10,500	10,800	11,160	11,460	11,820	12,180	12,540	12,900	13,200	13,680	14,100	14,520
	plus 3%	350	400	550	700	750	800	900	1,000	1,200	1,400	1,500	1,600	1,700
Framer	12 Mos (6 Mos)					(3,000)	(3,000)	(3,000)	7,000	7,500	8,000	8,000	8,500	8,500
Framer	Part time 4 Mos											800	800	800
Sales Clerk	Part time 4 Mos										800	1,600	1,600	1,600
Ground Mx	6 Mos							300	300	300	300	300	300	300
Legal	Annual	100	100	100	100	100	100	100	100	100	100	100	100	100
Accounting	Annual	300	300	300	300	300	300	300	300	300	300	300	300	300
	TOTAL	10,950	11,300	11,750	12,260	15,610	16,020	16,780	21,240	21,300	24,100	26,280	27,300	27,820

*plus 3% of gross sales - Estimate based on Figure 6-17.

NOTE: Labor estimates were based on 1982 data. Currently a manager for a small retail store receives \$800 a month. Other labor is available at minimum wage. The manager's salary increases at a 3% annual growth rate to reflect compensation for his/her increased worth, the increased work load, and to provide incentive. Likewise the framer's salary increases.

SOURCE: Telephone interview with Perc Shelton, McCall business investor, and Bill Dorris, manager, McCall Air Taxi, March 1982.

FIGURE 4-12

Based on projected sales and the market this position could become full-time in about ten years. This person would produce income through the number and quality of frames constructed. In addition he/she would perform maintenance and shop security functions. Because of the production aspect, the framer would have a bi-yearly increase in compensation. This would compensate him/her for increased worth and abilities. These positions and estimated compensation are outlined in Figure 4-12. Inflation would be figured into the plan; therefore amounts would actually increase.

When E-da-how opens in 1985 business demand would be such that the manager would handle all framing requirements and sales functions. In 1989 when business increases, a framer would be hired. In 1994 a sales clerk would be hired for the busy summer months. Before then the manager would perform all functions.

Each sub-shop would be managed by its own personnel and would pay a small fee for the services of a sales clerk, as well as for grounds upkeep and maintenance. These costs are determined on a square foot basis and allocated accordingly (Figure 6-12). The managers of the sub-shops would undoubtedly be the artist/craftsmen themselves. It's especially important, therefore, that these individuals meet the criteria established in Figure 4-11. In addition their products must meet the criteria identified in Figure 4-13.

These sub-shop renters would be selected based on successful interviews and portfolios of their works. Most galleries screen their artists in a similar fashion and have similar quality standards.¹ The sub-shop renters would be selected for their creative personality and their potential. In fact, most of the characteristics cited in chapter 2 would be

¹Chamberlain, pp. 167-175; and Cochrane, pp. 113-125.

examined, since it is important to have artists with intense creative drives, dedication, and production ability.

PRODUCT STANDARDS

1. Unique for each specialty
2. Great variety of subjects
3. Evident progress and growth
4. Not limited to one or two good ideas
5. Products which reflect technical skill
6. Not mass produced and cheap
7. If mass produced - exceptional quality and severely limited numbers
8. Professional quality vs commercial (competitive in shows)
9. Established track record (competition)
10. High value items, investment potential
11. Works are sought

FIGURE 4-13

Sub-shop renters would have no compensation except from their sales. This provides the most incentive possible. As the entire venture profits, each sub-shop profits. However, if products become directly competitive, the mutual enhancement from various businesses would drop. Currently enough diversity is planned to preclude this. The co-location of similar art products draws more customers than a single business and also helps offset direct competition.

8. Summary

Throughout Chapter 4 many aspects of the marketing plan have been identified and briefly developed. In-depth studies are only possible in limited areas as the market and market climate will undoubtedly change.

However current indicators suggest the market will continue to improve.

Overall, the population trends in the McCall area are very favorable. Business is continuing to improve and much growth is taking place. The business men especially see the area's future as bright and prosperous.

E-da-how's primary market is targeted at summer residents in the upper, middle incomes; however, it has a secondary market with the middle income summer visitor. As far as can be determined neither of these markets are currently being fully explored.

Current customers' needs were identified and products which meet these needs were outlined. E-da-how should easily be able to provide these products.

An in-depth study of the competition was also presented. This showed some potential competition but, most importantly, showed a fairly large area where E-da-how would be competition free.

Product lines were briefly examined and some protection for these products was identified. Since most products would be supplied by the sub-shop renters, the author's products were more closely examined.

Finally, this chapter addressed people resources, some of their requirements and necessary qualifications. Overall marketing guidelines which the venture will follow have been identified throughout the chapter.

CHAPTER V

RETAIL ANALYSIS AND PLAN

Retailing aspects of the overall plan are treated in this chapter in order to address them more thoroughly. Although several areas naturally overlap, the intent is to show the venture as a retailing business and in turn the profit motive in terms of total and targeted sales.

E-da-how Art Treasures has been developed around five contributing profit centers. In this light then, the retailing objectives, forecasted sales, pricing strategies, and production goals or merchandise sources are identified for each of the five centers and treated in this chapter. These centers are the author's personal art sales, frame sales, art supply sales, consignment sales, and shop rent. These five areas are then combined to give an overall retailing picture of the venture.

The general pricing policy and strategy for the overall venture's products are also identified as well as an advertising campaign. Finally, some major management policies and practices are listed.

As in other aspects of this plan, several areas are treated in general terms and with respect only to current trends in the McCall area because of uncertainty over time. The retail plan has been based on the limits indicated by the marketing study and the strategy to satisfy the customer's needs and to make a profit.

1. Author's Painting Sales

As indicated in chapter 2 the author has specific production goals. This section further refines these goals and sales objectives from 1981 to 1995. It also presents historical production and sales since 1976. Overall production is expected to increase gradually and reach a peak in 1995 when the author becomes a full time painter. Production and sales are given in terms of square inches because this accurately reflects absolute production and sales value whereas the number of canvases does not necessarily do this. Retailing objectives and sales forecasts are based on production objectives. Production, in turn, is primarily determined by available work time; and, because historically the author has sold 85-90% of his annual works, sales are targeted at 85-90% of production at all levels.

Production Objectives

Since time is a limiting factor, production is eventually capped; however, production can increase from the levels it's been (Figure 5-1). Since this study was begun in 1977 and production goals were established about that time, production has tripled, yet it can increase even more.

The author currently averages 36 hours to produce a 36" x 24" canvas or 2.5 minutes per square inch. However, this must be a continuous 36 hour block. In order to work oils effectively, they must be worked while wet. Once applied to a canvas most oil paint is workable for 24 to 30 hours. The author has found he cannot work just a section--all paints must be pre-mixed and he must be able to paint from start to finish, or nearly so. The whole painting is worked as a unit--it's not a collection of pieces. By working in this manner the author maintains balance and proper light values throughout.

HISTORICAL PRODUCTION AND SALES
AUTHOR'S ART WORKS

	Size	Total Sq In	Price Sold (Asked not sold)	Price Sq In ^a	Date Painted (month)	Date Sold	
<u>1976</u>							
76-1	The Prospectors, oil	30x24	720	150	.208	2	5/78
2	Spring Comes Slow, oil	18x24	432	85	.196	4	6/77
3	Broken Circle by the Fire, oil	30x48	1440	250	.173	1	3/76
4	Polich Ranch, oil	30x24	720	(150)		3	()
	25 prints	16x20	-	30		6	8/25/77
			3,312		(.187)		
<u>1977</u>							
77-1	North of the Lake, oil	18x24	432	85	.196	10	11/77
2	Lonesome Night Drifter, oil	18x24	432	80	.185	9	10/77
3	Winter Watch, water color	18x24	432	65	.15	10	9/78
4	Quiet at Rapid Lake, water color	18x24	432	50	.115	10	9/78
5	Ice Rodeo, pastel	24x30	720	(75)		2	()
6	Red Tail Hawk over the Needles, pen and ink	18x24	432	(45)		9	()
			2,880		(.162)		
<u>1978</u>							
78-1	Story of When the Bear Grass Blooms, oil	42x34	1,428	500	.35	4	5/78
2	Autumn Elk, oil	36x24	864	175	.20	9	10/79

FIGURE 5-1

HISTORICAL PRODUCTION AND SALES
AUTHOR'S WORKS (Cont'd)

	Size	Total Sq In	Price Sold (Asked not sold)	Price Sq In ^a	Date Painted (month)	Date Sold	
<u>1978 (cont'd)</u>							
78-3	The Watchers, oil	36x24	864	200	.23	12	6/79
4	Minuteman Duty, acrylic	96x48	4,608	-	Donation	9	9/78
5	The Brave Shall Inherit the Stars, acrylic	30x24	720	160	.22	8	8/78
6	The Vision Seekers	48x36	1,728	(100)		12	()
			<u>10,212</u>		(.267)		
<u>1979</u>							
79-1	Cardboard Airplane, oil	40x36	1,440	250	.173	5	9/81
2	Homestead and Snow, oil	36x24	864	220	.253	10	1/81
3	Snow and White Tail, oil	36x24	864	250	.289	4	5/79
4	The Spruce Seep, oil	36x24	864	275	.318	9	2/81
5	Strange Visitors, oil	36x24	864	230	.266	11	4/80
6	Panama City Beach, oil	36x24	864	220	.254	10	11/80
7	Eagle Over Ulm, oil	30x24	720	170	.236	10	3/81
8	Castle Peak, oil	30x24	720	175	.243	1	3/79
9	Siskoal Song, oil	48x36	1,728	(500)		7	()
10	Midnight Elk, oil	30x24	720	(220)		10	()
			<u>9,648</u>		(.248)		

FIGURE 5-1

HISTORICAL PRODUCTION AND SALES
AUTHOR'S WORKS (Cont'd)

	Size	Total Sq In	Price Sold (Asked not sold)	Price Sq In ^a	Date Painted (month)	Date Sold
<u>1980</u>						
80-1	SOS Bulls, acrylic	138x96	13,248	-	Donation	9 9/81
2	East Gap, oil	36x24	864	300	.347	3 9/81
3	Story for When the Sun Goes, oil	48x36	1,728	(550)		8 ()
4	First Snow, oil	40x36	1,440	(480)		1 ()
5	Northern By-Pass Swamp, oil	36x24	864	(240)		12 ()
6	Northern Lights Going Home, oil	36x24	864	(240)		12 ()
7	Red Oaks, oil	30x24	720	(220)		12 ()
			<u>19,728</u>		(.347)	
<u>1981</u>						
81-1	Vision Seeker, acrylic	40x36	1,440	(100)		1 ()
2	Allenstein, oil	36x24	864	250	.289	2 2/81
3	Gen Umstead, oil	30x24	720	(200)	Donation	6 6/81
			<u>3,024</u>		(.289)	

^aPrice per square inch in () is price based on paintings actually sold

FIGURE 5-1

This means the author must first prepare his sketches, do preliminary studies, and prepare his canvas before beginning work. This may take many hours as the author constantly studies and sketches new subjects, but normally only three hours are actually designated for preparing for any single painting. (The study hours are counted as training.)

After set-up, the author normally begins work on a Friday immediately after work. He then works straight through, usually pausing only for meals and sleep. In this manner he'll have spent 30-32 hours on a canvas by Sunday evening, and at this point, normally all the work which can be done "wet-in-wet" is complete. Final washes and detail are added several weeks later after a sufficient study period. These final touch-ups normally take three to six hours.

Based on this schedule the author can comfortably produce two canvases a month or 20,736 square inches per year. As Figure 5-1 depicts, the author currently produces about 10,000 square inches. Nineteen hundred eighty was the exception when he completed a large mural and produced 19,000 square inches. This indicates he can just about double his present production. Figure 5-2 maps out these production goals.

Several reasons limit production now. One reason is that much art time is still spent in studying art. The other is the author is married and is raising a family. He is also well involved in his Air Force career which at the present time averages a 60-hour week.

The author does use the week-night time productively. As explained, part is used to prepare paintings and some is used to touch-up work and to frame it. Other hours are used to do pen and inks, sketches, and Christmas cards. Still more time is spent to study art and prepare for art shows.

The author can produce more paintings by painting an additional

PROPOSED PRODUCTION AND INVENTORY

Yr	Production Total Sq Inch ^A	Increase ^B	Number of Canvases ^b	EI Brought Forward ^g	One-Man			TX to Gallery ^e	EI After TX ^f	Gallery				
					BI ^a	Sales ^c	EI ^d			EI Brought Forward ^l	TX from 1-Man ^h	BI ⁱ	Sales ^j	EI Gal- lery ^k
81	12,096	0	L 2	1	3	1	2		2					
			M 10	8	18	6	12		12					
82	12,096	604	L 2	2	4	1	3		3					
			M 10	12	23	7	16		16					
83	12,700	635	L 2	3	5	1	4		4					
			M 10	16	26	8	18		18					
84	13,335	667	L 2	4	6	2	4	3	1		3	3		3
			M 11	18	29	9	20	18	2		18	18		18
85	14,002	700	L 2	1	3	1	2		2	3		3	1	2
			M 12	2	14	4	10		10	18		18	6	12
86	14,702	735	L 2	2	4	1	3	1	2	2	1	3	1	2
			M 12	10	22	7	15	8	7	12	8	20	6	14
87	15,437	772	L 2	2	4	1	3	1	2	2	1	3	1	2
			M 12	7	19	6	13	7	6	14	7	21	7	14
88	16,209	811	L 3	2	5	1	4	2	2	2	2	4	1	3
			M 12	6	18	6	12	6	6	14	6	20	6	14

FIGURE 5-2

PROPOSED PRODUCTION AND INVENTORY (Cont'd)

Yr	Production Total		Number of Canvases	<u>One-Man</u>				TX to Gallery	EI After TX	<u>Gallery</u>				EI Gallery
	Sq Inch	Increase		EI Brought Forward	BI	Sales	EI			EI Brought Forward	TX from l-Man	BI	Sales	
89	17,020		L 3	2	5	1	4	2	2	3	2	5	1	4
			M 13	6	19	6	13	6	7	14	6	20	6	14
		851												
90	17,871		L 3	2	5	1	4	2	2	4	2	6	2	4
			M 14	7	21	7	14	7	7	14	7	21	7	14
		893												
91	18,764		L 3	2	5	1	4	2	2	4	2	6	2	4
			M 14	7	21	7	14	7	7	14	7	21	7	14
		939												
92	19,703		L 4	2	6	2	4	2	2	4	2	6	2	4
			M 14	7	21	7	14	7	7	14	7	21	7	14
		985												
93	20,688		L 4	2	6	2	4	2	2	4	2	6	2	4
			M 15	7	22	7	15	7	8	14	7	21	7	14
		1,034												
94	21,722		L 4	2	6	2	4	4	-	4	4	8	2	6
			M 16	8	24	8	16	16	-	14	16	30	10	20
		1,086												
95	22,808		L 5	-	5	1	4	4	-	6	4	10	3	7
			M 16	-	16	5	11	11	-	20	11	31	10	21
96	51,840		L 7							7		14	<u>50%</u> 7	7
			M 46							21		67	33	34
		1,036												
97	52,876		L 7							7		14	<u>60%</u> 8	6
			M 47							34		81	48	33
		1,058												

FIGURE 5-2

PROPOSED PRODUCTION AND INVENTORY (Cont'd)

Yr	Production Total		Number of Canvases	EI Brought Forward	One-Man			TX to Gallery	EI After TX	Gallery				EI Gallery
	Sq Inch	Increase			BI	Sales	EI			EI Brought Forward	TX from 1-Man	BI	Sales	
98	53,934		L 7 M 48						6	13	9	4		
		1,078							33	81	56	25		
99	55,012		L 7 M 49						4	11	7	4		
		1,100							25	74	51	23		
2000	56,112		L 7 M 50						4	11	7			
									23	73	51			

- A Targeted square inch production
- B Increase in production (5% until 1995 then 2% growth)
- a Starting Inventory for one-man shows (Item b plus Item g)
- b Number of Large (L) canvases (1,728 sq inch) and Medium (M) canvases (864 sq inch) produced
- c Targeted Sales at 30% of inventory
- d Ending Inventory after sales
- e Canvases transferred to Gallery in McCall
- f Ending Inventory for one-man shows after transfer to McCall Gallery
- g Item f brought forward
- h Item e transferred to McCall Gallery
- i Item h plus item l
- j Targeted sales at 30% of total inventory (item i)
- k Ending inventory for McCall Gallery after sales
- l Item k brought forward

NOTE: In 1995 production increases due to increase in time, and inventory is combined for consolidated sales at McCall Gallery at targeted (%) indicated.

FIGURE 5-2

weekend. Currently this is not realistic due to family responsibilities. Instead, he will continue to concentrate on improving and quickening his style. His objective is to reduce the 36 hours to 30 hours. The benefit will not only be greater production, but will also be a bolder more spontaneous style as set forth in chapter 2. If for other reasons the author falls short of production objectives, he could take a painting vacation. Indeed, in 1994 and 1995, he would need four and five days respectively to meet production goals.

Figure 5-2 production goals are realistic and obtainable. It would require dedication, but as 1980 production indicates, this 20,000 plus square inch rate has nearly already been achieved. Most importantly these objectives will yield a 5% annual growth.

Author's Personal Works Sales Forecast and Retailing Objective

Historically the author has been able to sell 85-90% of his production. Though Figure 5-3 indicates yearly sales have been rather sporadic it is because they've always been a function of the number of shows and amount of selling the author attempts. For example, in early 1981, the author held a show and actively promoted his paintings. He sold four. Since then he has not done any promoting. The most recent 1981 sales were as a result of a commission and personal selling by the author's wife.

Partly due to this sporadic nature and the need to develop better marketing data, as well as a need for a specific guiding plan, sales goals have been established. These goals fall short of total production for several specific reasons. Basically sales are targeted to be 60% of salable works. This leaves 40% for inventory which is needed as show stock, about 25-30 canvases.

AUTHOR'S MAJOR PAINTINGS SALES BY YEAR
AND PRICE PER SQUARE INCH

	Painting #	Month	Square Inches	Price Sold for	Price Sq Inch	Average price per Sq Inch
1976	76-3		<u>1,440</u>	<u>250</u>	<u>.173</u>	
	Total		<u>1,440</u>	<u>250</u>		.173
1977	76-2	6	432	85	.196	
	77-2	10	432	80	.185	
	77-1	11	<u>432</u>	<u>85</u>	<u>.196</u>	
	Total		<u>1,296</u>	<u>250</u>		.192
1978	76-1	5	720	150	.208	
	78-1	5	1,428	500	.35	
	78-5	8	720	160	.22	
	77-4	9	432	50	.115	
	77-3	9	<u>432</u>	<u>65</u>	<u>.15</u>	
	Total		<u>3,732</u>	<u>925</u>		.195
1979	79-8	3	720	175	.243	
	79-3	5	864	250	.289	
	78-3	6	864	200	.23	
	78-2	10	<u>864</u>	<u>175</u>	<u>.20</u>	
	Total		<u>3,312</u>	<u>800</u>		.242
1980	79-5	4	864	230	.266	
	79-6	11	<u>864</u>	<u>220</u>	<u>.254</u>	
	Total		<u>1,728</u>	<u>450</u>		.26
1981	79-2	1	864	220	.235	
	81-2	2	864	250	.289	
	79-4	2	864	275	.318	
	79-7	3	720	170	.236	
	79-1	9	1,440	250	.173	
	80-2	9	<u>864</u>	<u>300</u>	<u>.347</u>	
	Total		<u>5,616</u>	<u>1,465</u>		.261

FIGURE 5-3

In addition to production, Figure 5-2 also indicates the number of works targeted to be sold (items c and j). For example, in 1982, sales are targeted to be one large, 48" x 36" painting and seven, 36" x 24" paintings. This will leave an inventory of two large paintings and 12

medium paintings or about 14 canvases (less than desirable). Add to this the inventory of small paintings and Christmas cards listed in Figure 5-5 and total inventory numbers 22 works. As indicated, the author needs 20-30 canvases to hold a successful one-man show, thus this inventory must be maintained even at the risk of discouraging sales. If stock falls below this level as it has for 1981, no one-man shows would be held until stock is again sufficient.

Sales and production must also be such as to result in 20-30 additional canvases by 1985. In 1985, the studio and sub-shops of E-da-how Art Treasures would be completed and open for business. At this time the studio would double as a temporary gallery and canvases would be shipped to McCall in order to stock the studio. Thus in 1984, Figure 5-2 shows a transfer (item h) of 3 large and 18 medium canvases to the Gallery.

From 1985 to 1995, with sales at a fixed percent and production increasing, inventory should slowly build until 1995 when all-paintings could be consolidated under one roof. At that time, sales objectives would be roughly 70%, which still leaves 30% of inventory as stock.

It should be noted the inventory would never be very large and it would be carefully monitored as to date painted. New paintings would not be sold until they had cured and had received their first varnish which is normally done 6-12 months after being finished. Thus as Figure 5-4 illustrates, the stock offered for sale in 1986 would be made up of 1985 and earlier works. Sales also reflect the older stock being sold first.

In sum, this method emphasizes a steady increase in sales; yet it slightly lags production. As a result the venture can build up a stock which would give flexibility in preparing one-man or gallery shows.

AUTHOR'S WORKS SALES FORECAST

Year	Targeted Price per Square "	Production	Targeted Number of Sales ^a	Gross Income ^b	Quantity and year of inventory ^c	Gross Income	Subtotal	Total Sales
81	.289	L 2	1	499	1/81			
		M 10	6	1,498	6/81			1,997
82	.3179	L 2	1	499	1/81			
		M 10	7	1,747	7/81			2,246
83	.349	L 2	1	499	1/81			
		M 10	8	1,248	5/81	824 3/82	2,082	2,581
84	.384	L 2	2	1,098	2/82		1,098	
		M 11	9	1,922	7/82	603 2/83	2,525	3,623
85	.423	L 2	2	1,206	2/83		1,206	
		M 12	10	2,412	8/83	663 2/84	3,075	4,281
86	.465	L 2	2	1,327	2/84		1,327	
		M 12	13	2,985	9/84	1,462 4/85	4,447	5,774
87	.511	L 2	2	1,461	2/85		1,461	
		M 12	13	2,924	8/85	2,009 5/86	4,933	6,394
88	.563	L 3	2	1,607	2/86		1,607	
		M 12	12	2,812	7/86	2,207 5/87	5,019	6,626
89	.619	L 3	2	1,766	2/87		1,766	
		M 13	12	3,090	7/87	2,432 5/88	5,522	7,288
90	.681	L 3	3	2,918	3/88		2,918	
		M 14	14	3,405	7/88	3,743 7/89	7,148	10,066
91	.749	L 3	3	3,882	3/89		3,882	
		M 14	14	3,208	6/89	4,707 8/90	7,915	11,797
92	.824	L 4	4	3,530	3/90		4,824	
		M 14	14	3,530	6/90	5,177 8/91	8,707	13,531

FIGURE 5-4

AUTHOR'S WORKS SALES FORECAST (Cont'd)

Year	Targeted Price per Square "	Production	Targeted Number of Sales ^a	Gross Income ^b	Quantity and year of inventory ^c	Gross Income	Subtotal	Total Sales	
93	.907	L 4	4	2,588	2/91	2,547	1/92	5,435	
		M 15	14	3,882	6/91	5,696	8/92	9,577	15,012
94	.997	L 4	4	2,847	2/92	3,134	2/93	5,981	
		M 16	18	4,271	6/92	13,674	12/93	17,945	23,926
95	1.09	L 5	4	3,134	2/93	3,445	2/94	6,579	
		M 16	15	2,351	3/93	10,337	12/94	12,688	19,267
96	1.20	L 7	7	3,445	2/94	9,417	5/95	12,862	
		M 46	33	3,446	4/94	15,068	16/95	31,992	44,854
		M				13,478	13/96		
97	1.32	L 7	8	14,515	7/96	2,280	1/97	16,795	
		M 47	48	34,214	33/96	17,017	15/97	51,321	68,116
98	1.46	L 7	9	13,685	6/97	7,568	3/98	21,253	
		M 48	56	19,388	17/97	49,196	39/98	68,584	89,837
99	1.606	L 7	7	10,091	4/98	8,325	3/99	18,416	
		M 49	51	11,352	9/98	58,278	42/99	69,630	88,046
2000	1.766	L 7	7	11,100	4/99	9,154	3/00	20,254	
		M 50	51	9,713	7/99	67,136	44/00	76,849	97,103

^aTargeted number of sales, L = 48"x36", M = 36"x24" ^bGross Income at Targeted Sale Price

^cSales are based on FIFO. 1/81 indicates one painting from 1981 inventory, etc.

Note: Second column is for a different year's production and price. Currently prices are intended to remain fixed once set for a particular painting. They may be reduced for a possible sale but will not be increased.

FIGURE 5-4

Price Strategy

Currently the author sells his works at 2/3 their appraised market value. For example, in 1978 Norman Johnson, a Great Falls banker and appraiser, noted the author's works at a show and pointed out that he thought they were worth twice as much as their price. In particular he noted "Autumn Elk" and a 1974 painting "Memories of My Heart." "Memories" sold for \$200 and "Autumn Elk" sold for \$175. Other art dealers and critiques have also indicated this.¹

Another example illustrates these competitive prices. The author has painted and sold 4" x 5" water color Christmas cards for \$1.75 apiece since 1976. In 1978 he matted and framed several and sold them at \$15.00 and \$20.00 apiece. (The cost of mat, frame and labor was \$8.00.) Other artists sell equivalent size and quality water colors for \$20.00 to \$35.00 apiece.² Currently this lag in prices is intended to cause high sales and rapid inventory turn-over. This results in fewer paintings on hand but in many paintings "advertising" throughout the nation. The high volume helps offset lower prices.

However, by 1995, the author wants his paintings to bring close to \$1.10 per square inch, or about \$950 for a standard 36" x 24", a price comparable to that charged by other artists today. For example, Quinton Gregory receives \$1,250 for a 36" x 24" painting,³ and his works are very similar in quality, topic and style. Infact, in 1974 "Memories of My

¹Rainbow Art Gallery, Stu Nicholson, John Segesman, Quinton Gregory.

²Artists Jack Turner of Montgomery, Alabama, and Ruth Hamell of McCall, Idaho.

³Quinton Gregory, Idaho artist, interview at McCall Art Mart, June 3, 1978.

Heart" was disqualified from competition because it so closely resembled Gregory's creations.¹ Unfortunately the author was not available to refute the decision at the time.

The \$1.10 target price would result in an acceptable income. For example, in 1995 fifty, 36" x 24" paintings would gross \$47,000 (Figure 5-4). But to achieve this pricing objective, based on the 1981 targeted selling price of .289/sq inch, the price must increase by 10% a year to result in a \$950, 36" x 24" painting by 1995--about \$1.09 per square inch. In addition to this 10% increase, each year's price would also be adjusted to absorb inflation.

This pricing strategy indicates investment potential to prospective buyers. Though prices on in-stock paintings would not be raised, current owners would easily see increasing prices on each year's production. It's reasonable to expect that as the average value of the author's paintings goes up, then too the average value of each previously sold painting appreciates. In other words, based on expected rising demand, a 1982 painting which sold for \$275 could be expected to resell in 1987 for \$440. The in-stock paintings, though still carried at their production year's targeted price, would not pose a problem. The price on a slow seller would become relatively less each year and thus the painting would eventually sell itself.

Other Products

During week nights, as mentioned, the author also produces some pen and inks, water colors, and Christmas cards. Of these numerous sketches and studies, only six warrant selling. Figure 5-5 lists the expected production, price, and sales of these works. Prices are somewhat limited in

¹Lomie Helmich, McCall area artist, December 1974, June 1978.

AUTHOR'S CARDS AND MISC PAINTINGS SALES/INVENTORY

Year	Approximate Target price ^a	Production	BI ^b	Sales ^c	Gross Sales	BI From 1980	End Inventory ^d	Total End Inventory	Total Sales
81	4.50	C	110	82	369.00	160	28	188	489.00
	30.00	P	6	4	120.00	4	2	6	
82	4.75	C	110	82	387.45	188	28	216	515.85
	32.00	P	6	4	128.40		2	8	
83	5.00	C	110	82	406.82		28	244	544.20
	34.00	P	6	4	137.38		2	10	
84	5.25	C	110	82	427.16		28	272	574.16
	37.00	P	6	4	147.00		2	12	
85	5.00	C	110	82	448.52		28	300	645.13
	39.00	P	6	5	196.61		1	13	
86	5.75	C	110	100	574.32		10	310	784.70
	42.00	P	6	5	210.38		1	14	
87	6.00	C	110	100	603.00		10	320	828.10
	45.00	P	6	5	225.10		1	15	
88	6.25	C	110	100	633.19		10	330	874.05
	48.00	P	6	5	240.86		1	16	
89	6.50	C	110	100	664.85		10	340	922.57
	51.00	P	6	5	257.72		1	17	
90	7.00	C	110	100	698.09		10	350	973.85
	55.00	P	6	5	275.76		1	18	
91	7.25	C	110	100	733.00		10	360	1,028.07
	59.00	P	6	5	295.07		1	19	
92	7.75	C	110	100	769.60		10	370	1,148.47
	63.00	P	6	6	378.87		-	20	
93	8.00	C	110	100	808.13		10	380	1,213.52
	67.00	P	6	6	405.39		-	20	
94	8.50	C	110	100	848.54		10	390	1,282.31
	72.00	P	6	6	433.77		-	20	
95	9.00	C	110	100	890.96		10	400	1,355.09
	77.00	P	6	6	464.13		-	20	

FIGURE 5-5

AUTHOR'S CARDS AND MISC PAINTINGS SALES/INVENTORY (Cont'd)

Year	Approximate Target price ^a	Production	BI ^b	Sales ^c	Gross Sales	BI From 1980	End Inventory ^d	Total End Inventory	Total Sales
96	9.25	C	110	100	935.51		10	410	1,432.13
	83.00	P	6	6	496.62		-	20	
97	9.75	C	110	100	982.29		10	420	1,513.67
	88.00	P	6	6	531.38		-	20	
98	10.24	C	110	100	1,031.40		10	430	1,599.98
	95.00	P	6	6	568.58		-	20	
99	10.75	C	110	100	1,082.97		10	440	1,689.35
	101.00	P	6	6	608.38		-	20	
00	11.25	C	110	100	1,137.12		10	450	1,788.09
	108.00	P	6	6	650.97		-	20	

^aPrices are targeted to increase at a 5% growth for Christmas Cards (C) and at 7% for small paintings (P).

^bTargeted production will remain constant, 110 packages of cards and 6 incidental works saleable as small paintings.

^cSales are targeted at 75% of inventory but increases to nearly 100% as there is no real need to carry over these products in inventory.

^dEnding inventory is running sum of unsold inventory. A certain percentage of Christmas cards are destroyed through handling; therefore, the last few years may reflect numbers which are too high.

NOTE: 225 cards are produced for each design. This results in a product mix of 35 painted and 220 printed. The 220 prints result in 110 packages of 20 cards mixed designs for inventory.

Prices are raised each year on previously unsold cards. In certain cases as the number decreases to a few packages of remaining cards, the price may be greater than current prices--the collector's item.

COGS on Christmas cards is about .05 per card and envelope. For ease of calculating gross profits, it has been estimated to be 20% throughout (\$.05).

FIGURE 5-5

potential as these are not major works. Consequently, only a 7% growth is reflected in Figure 5-5.

Christmas card production and sales are also listed in Figure 5-5. Basically the objective is to sell 75% of the total stock or better, and to increase price 5% annually. Though the inventory would increase annually, some inventory would also be damaged and lost and some would be used personally. To clear over-stocking, special sales could be held; however, the cards are primarily a promotion and return on them would never be exceptional unless they became collector's items.

These two products combined are not significant revenue items but are excellent advertisements. For this reason, production, especially production of the Christmas cards will be continued.

2. Framing Profit Center

Currently there is a considerable potential market in the McCall area for framing. Though the Art Mart currently meets part of this demand, their facilities and their products are inadequate. Indeed much business is done in Boise.¹ This section shows how E-da-how intends to capture this market.

Framing Retailing Objective and Sales Forecast

The retailing objective for the frame shop for the first year, 1985, is to capture the Art Mart's projected frame sales in 1985 of \$4,800. From this point, based on the potential of the area, the objective is to increase by 15% annually until the area's potential is reached (Figure 5-9).

¹Maury Ainger, telephone interview, Art Mart, McCall, Idaho, June 1980.

Currently the Art Mart takes in \$4,120 in framing sales which amounts to 11% of their gross art sales. By 1985 this should be \$4,800. With better facilities and stock, E-da-how would have little difficulty in grossing this during the first year of operation.

Frame Market

The McCall area market potential has been indicated in chapter 4; however, the market for frames is considerably different than the market for finished art works. In addition, several factors indicate the McCall market is not being exploited. For example, more and more (80-120) artists from throughout the Northwest are beginning to visit McCall for summer painting vacations,¹ certainly creating a potential frame market. There is also a local population of an estimated 50-60 artists who produce anywhere from 12 to 20 canvases a year.² This in itself indicates, at average prices of \$20 a frame, potential sales of \$12,000 to \$24,000. More likely, sales would be \$7,000 to \$14,000 as only about 60% of art works are actually framed. In addition, there is a general demand for frames for art, photographs, diplomas, citations and other crafts. Based on an average selling price of \$20 a frame this potential indicates a conservative \$7,000.³ The Art Mart currently sells less than \$4,200 worth.

The frame market potential is growing. As the trend continues in McCall to sponsor more art shows and to promote more art activities which could include art shows; for example, the winter carnival, water carnival,

¹ Ibid.; and Quinton Gregory, interview at McCall Art Mart, June 1973, 1978.

² Greg Kimball, McCall-Donnelly art instructor, telephone interview, March 1982; and The Art Mart Interviews, June 1974, 1976-1978, 1980, December 1978, and March 1982.

³ Larry Roberts, Owner House of Frames, Montgomery, Alabama, estimate after reviewing marketing data in this study, August 1981.

and winter days; the market will grow. For example, in 1978 when the author framed 25 works for a one-man show, his cost was \$750. The Art Mart sponsors a one-man show each month, as does Inter-Mountain State Bank and Idaho First National Bank. This indicates initial potential of \$700 for the initial show for each of these artists. If there are 36 who sell 30% and show yearly, then these artists would replace 30% of up to \$25,000 worth of frames each year, or \$7,500 worth. Currently there are 50-60 area artists.

Finally, in addition to the annual winter carnival art show, the county fair art show, and the Ponderosa State Park show, the Blue Camas artists sponsor a mid-summer show as do several of the other traveling work shops.¹ The McCall-Donnelly High School and Junior High also now hold annual shows.² The trend is towards increasing art shows which results in more potential frame sales.

Total potential then, for 50-60 area artists, could be between \$7,000 and \$14,000. Potential for visiting artists (80-120) is probably greater but is estimated at \$10,000 since they bring frames or wait until returning home before purchasing frames. Finally, the general framing and student potential could reach \$9,000 in sales. Since the market in all these areas has not been actively exploited as of yet, it's difficult to judge actual potential. Adding these estimates gives a target potential of \$26,000 to \$33,000.

The income sheets from the Art Mart, Figure 5-6, and a Great Falls Art Gallery, Figure 5-7, were also used as a basis to determine proportionate frame sales. Based on the framing industry statistics³ and several

¹"Visitors Guide," Star News, 1981, p. 21. ²Kimball, March 1982.

³Professional Picture Framers Association, Financial Digest, 1980.

ART MART INCOME STATEMENT

1980

Total Gross Sales		99,967
Less Stationary/office supplies (non art products)		-64,660
^a Gross Sales, Art		35,307
Paintings (consignments)	28,530	
Art Supplies	2,657	
Framing	<u>4,120</u>	
		<u>35,967</u>
Cost of goods sold		
Paintings 66 2/3	19,020	
Art Supplies .40	1,063	
Frames .40	<u>1,648</u>	
Total COGS		<u>21,731</u>
^b Operating expenses		
Rent @ \$300/month	3,600	
Accounting/legal	60	
Insurance	380	
Supplies and postage	270	
Advertising	780	
Telephone	370	
Lights/utilities	360	
Maintenance	190	
Bad debts	90	
	@ 35.3%	<u>(6,100)</u>
		<u>-2,153</u>
Before taxes profit, art sales only		<u>12,083</u>

^aArt sales and business related to E-da-how amounts to 35.3% of gross sales.

^bOnly 35.3% of total operating costs is applied to art sales.

FIGURE 5-6

ART GALLERY INCOME STATEMENT

<u>1978</u>		
Gross Sales		
Paintings	18,400	
Artist supplies	2,865	
Framing	<u>10,760</u>	
Total gross sales		<u>31,960</u>
COGS		
Paintings .66	12,260	
Artist supplies .40	1,146	
Frames .40	<u>4,304</u>	
		- <u>17,710</u>
Operating Expenses		
Rent	2,640	
Accounting/legal	40	
Insurance	400	
Supplies and postage	200	
Advertising	880	
Telephone	320	
Lights/Utilities	340	
Maintenance	80	
Bad debts	<u>80</u>	
		- <u>4,980</u>
Net profit before taxes		<u>9,270</u>

NOTE: Actual name of Art Gallery is withheld, as requested. Owners are older couple. Wife works full time at the gallery. Husband has second job and works part time framing at gallery. Gallery is located in Great Falls, Montana.

FIGURE 5-7

frame and gallery owners,¹ framing sales traditionally average 30% of an art gallery's gross sales. For the Art Mart then, sales should be \$10,590. However, based on actual sales and a linear sales projection based on the 1985 McCall population (Figure 5-8), the Art Mart's frame sales would be \$4,800. Because of the market potential, however, E-da-how has targeted 1985 sales to be \$5,000 and a 15% growth rate. Figure 5-9 illustrates these targeted frame sales.

McCALL SUMMER POPULATION AND ACCUMULATED POPULATION

	McCall Permanent	McCall Summer ^a	Valley, County ^b	Accumulated ^c	
81	2,285	8,260	12,380	5,730	36,100
85	2,587	9,380	14,000	6,780	41,000
90	3,023	11,000	16,500	8,370	48,100
95	3,532	12,900	19,300	10,330	56,400
00	4,126	15,100	22,700	12,750	66,200

^aSummer population is based on the maximum number at any one time actually present in McCall. This ranges from 6 - 12 thousand. Eight thousand is used to show a more average figure. Growth is figured at 3.24%, Idaho's current rate.

^bValley County's projected population at current growth rate of 4.3%.

^cAccumulated population is the term applied to the total number of different people visiting the McCall area. Estimate only.

FIGURE 5-8

Frame Service and Handling Procedures

Framing materials and finished frames needed for stocking the framing shop are available through Boise and Salt Lake outlets.² Basically, these materials include frame molding, glass, matboard and a selection of

¹The Art Mart of McCall, House of Frames and Binders of Montgomery, and Rainbow Art Gallery of Great Falls.

²Interviews, the Art Mart, December 1978 and June 1980.

E-DA-HOW TARGETED FRAME SALES

1985 ^a	5,000	1993	15,300
86	5,750	94	17,600
87	6,610	95	20,200
88	7,600	96	23,260
89	8,750	97	26,750
90	10,050	98	30,760
91	11,560	99	35,380
92	13,300	00	40,680

^aat 15% growth

FIGURE 5-9

standard size frames for immediate sales. All frame inventory would be inspected as it arrives, priced, and added to the supply inventory. Receiving records would be kept for all shipments and would include the basic information in Figure 5-10. (These records would also be similar for art supplies).

Frame Production and Inventory

The venture would open in 1985 with an initial stock of ready-made frames and raw materials for meeting a varied frame demand. A recommended initial pre-made frame stock is shown in Figure 5-11 and necessary framing supply stock is shown in Figure 5-12. These two figures were based on interviews with the owners of Great Falls, Rainbow Art Gallery, and Larry Roberts at House of Frames, as well as Professional Picture Framers Association (PPFA) industry statistics.

The frame selection in Figure 5-11 is a standard selection of good quality and popular types. The selection would be expanded, but not at the cost of a large, slowly moving inventory. With framing facilities

this should be avoidable as special sizes and special requests could easily be met. Frames could be made to order. Molding, mat boards, and glass supplies are also available on a weekly order basis.

RECEIVING RECORD (Frames and Supplies)

E-DA-HOW ART TREASURES

10 June 1987 (Date Received)

E-0123 (Receiving number)

001-287-5 (Invoice number)

Browning Company (Carrier)

23 items

Items damaged:

Remarks:

Delivery Charge \$118.20 Invoice Amount \$1,728.50

FIGURE 5-10

READY-MADE FRAMES

<u>Water Color</u>	<u>Aluminum (Sito)</u>	<u>Quantity</u>	<u>Cost</u>
8x10	2.70	12	32.40
14x18	4.50	6	27.00
16x20	5.00	6	30.00
20x24	6.00	10	60.00
24x30	8.00	12	<u>72.00</u>

221.40

	<u>Wood (Graphic)</u>	<u>Quantity</u>	<u>Cost</u>
8x10	8.50	12	102.00
14x18	12.00	6	72.00
16x20	13.00	10	130.00
20x24	15.00	12	180.00
24x30	18.00	12	<u>216.00</u>

700.00

<u>Oil painting Frames</u>	<u>Mexican Style</u>	<u>Quantity</u>	<u>Cost</u>
Style A			
14x18	18.50	12	222.00
16x20	20.00	12	240.00
20x24	24.50	12	294.00
24x30	29.00	20	580.00
36x24	30.50	24	732.00
48x36	39.00	12	<u>468.00</u>

2,536.00

Style B	<u>Wood Sito</u>	<u>Quantity</u>	<u>Cost</u>
18x24	16.45	10	164.50
24x18	17.65	10	176.50
24x20	17.95	8	143.60
15x30	18.45	10	<u>184.50</u>

669.10

Miscellaneous small frames @ 2.50 20

50.00

4,176.50

SOURCE: American Artist 45 (February 1981 Studio Issue).
Prices taken from ads.

FIGURE 5-11

FRAME SHOP SUPPLIES

		<u>1985</u>	<u>1990</u>
Molding	100 molding patterns, 50' @ \$1.15' 100 additional	\$5,750	\$5,750
Mat Board	50 patterns, 35 sheets @ \$.90 50 additional	1,575	1,575
Glass (Available thru McCall Boaze Glass)	60 @ \$3.00 reorder as needed	180	
Miscellaneous supplies (wire, screws, cleaner) estimate		<u>250</u> \$7,755	<u>\$7,325</u>

NOTE: Supplies recommended by Larry Roberts, House of Frames, Montgomery, Alabama. Cost does not include heat, electricity, or other overhead.

FIGURE 5-12

Frame Production

Frames would be produced only to meet orders from customers and in special cases where certain size and quality frames could not be purchased wholesale. All other frames would be purchased ready-made at a much lower cost. For example, in 1980 it cost \$30.09 for materials and \$2.82 for labor for a 36" x 24" frame, the equivalent of which could be purchased for \$27.00 from Mexico (Figure 5-13).¹

Whereas it's less costly to purchase ready-made frames, it's less expensive to cut glass and mats than it is to purchase pre-cut mats and glass. This is because nearly all work is custom work--customers want certain colors and styles of mat and special sizes. The time involved in cutting mats and glass is not sufficiently great. The limiting factor is

¹PPFA statistics, 1980.

the frame itself. Thus there should be no production limit problem in meeting framing demand. For example, a part-time framer could be hired and more ready-made frames could be purchased.

FRAMING COGS

24x36" frame			Oil	Water Color
Molding	136"	11.33' @ \$2.00	\$22.66	\$22.66
Liner	132"	11.0' @ .65	7.15	7.15
Mat			-	.50
Glass			-	1.20
Screws		8 @ .01	.08	-
Eyelets			.10	.02
Wire		3½' @ .02	.07	.07
Cleaner			-	.02
Miscellaneous supplies (tape, rags, putty, pads)			<u>.03</u>	<u>.03</u>
Total cost ^a			\$30.09	\$31.65
Labor ^b 45 mins @ \$3.80 hour			<u>2.85</u>	<u>2.85</u>
			\$32.94	\$34.50

Mexican style frame retail cost is \$26.50 to \$32.50.^c

^aCost does not include heat, electricity, or other overhead.

^bPPFA Financial Digest, 1980, p. 22.

^cInterview with Joel Springer, framer and art salesperson, Binder's, Montgomery, Alabama, December 1979 and October 1980; and interview with Frank Baker, manager, Binder's, April 1982.

FIGURE 5-13

Framing Pricing Policy and Strategy

The pricing objective would be to price frames so that they are comparable to Boise prices. This would eliminate incentive to travel to Boise for similar products and would make E-da-how equally competitive.

Consequently, this price would undercut McCall competitors by 5-10%. For pre-made frames, rather than charging double the cost of goods per frame which is standard,¹ E-da-how would absorb the 5-10% greater cost between McCall and Boise or Salt Lake (primarily due to shipping costs) and charge 1.80 times cost of goods.

The frame sales strategy is to hold framing promotions, something the Art Mart does not do. With E-da-how's ample room (even a portion of the studio from 1985-1990, or a part of the gallery 1995 and on), the venture would be able to do this. In this respect E-da-how would invite in large inventories for a one to two week sale. In addition, the venture would follow a special discount policy to artists. For those people who wish to frame their own works, E-da-how would offer a 10% discount. This discount would also apply to related supplies. The objective is to promote art in the local area and to serve the artists by providing reasonably priced goods in McCall.

This strategy is important because the frame represents 50%+ of the cost of goods for the artist (Figure 5-14). Lowering this cost would certainly aid artists.

For frames which are made by the venture, the pricing policy would be similar to that followed by many framers: cost of materials, plus cost of labor, plus 20%. This is represented to the buyer in cost of molding plus labor. At the present rate of American labor there is no practical way of reducing this price much further.

3. Artist Supplies Profit Center

Much of the material concerning artist supplies in this section is

¹Larry and Helene Roberts, visit and interview, July 1981.

1981 COGS PAINTINGS

	<u>720 sq "</u>	<u>864 square "</u>	<u>1728 square "</u>
canvas	\$ 6.50	\$ 7.70	\$ 9.60
underpaint	.16	.20	.40
sketch paper	.13	.15	.30
pencil/pastel/erase	.03	.04	.08
brushes	2.45	2.95	5.90
palette knives	.15	.18	.36
oil paint	5.50	6.60	13.20
turpentine/linseed oil	.16	.20	.40
wire/eyelets	.15	.18	.36
screws/eyelets	.64	.64	.96
shellac/varnish	.42	.50	1.00
clean-up materials	.09	.09	.18
	<u>16.38</u>	<u>19.43</u>	<u>32.74</u>
photograph/records	2.25	2.25	2.25
	<u>18.63</u>	<u>21.68</u>	<u>34.99</u>
frame	28.00	36.00	98.00
	<u>46.63</u>	<u>57.68</u>	<u>132.99</u>
office studio			
electricity (ave)	4.15	4.95	9.90
heat (ave)	1.65	1.98	3.96
	<u>5.80</u>	<u>6.93</u>	<u>13.86</u>
copyright (optional)	(10.00)	(10.00)	(10.00)
1 Total COGS	<u>\$52.43</u>	<u>\$64.61</u>	<u>\$146.85</u>
cost/sq"	.073	.075	.085
2 Less .3 of materials at dealer's discount and .5 of frame	10.92 16.00	13.60 18.00	22.92 49.00
3 Records plus variable costs	<u>8.05</u>	<u>9.18</u>	<u>13.86</u>
Total COGS (dealer cost)	34.97	40.78	85.78
Cost/sq"	.049	.047	.05

NOTE: The COGS will decrease by 33.3%, 36.8%, and 41.6% respectively when dealer's prices for materials and framing are available. This COGS is based on historical data since 1976 and applies to Montgomery, Alabama.

FIGURE 5-14

similar to the framing profit center. Some market potential and projected sales as well as E-da-how's specific marketing objectives are addressed.

Artist Supplies Retailing Objectives and Sales Forecast

Similar to the framing objectives, E-da-how intends to initially capture what is projected to be the Art Mart's 1985 artist supplies sales of \$5,000. After 1985 the objective is to increase sales at 25% annual growth until 1993 when sales match estimated potential. From 1993 and on, sales are targeted at 10% growth (Figure 5-15).

TARGETED ARTIST SUPPLY SALES

1985 ^a	\$ 5,000 ^b	1993	\$29,800
86	6,250	94 ^c	32,780
87	7,800	95	36,060
88	9,765	96	39,665
89	12,200	97	43,635
90	15,260	98	48,000
91	19,075	99	52,800
92	23,840	2000	58,070

^aAt 25% growth until sales reach area's potential sales.

^bBased on McCall's potential market and the apparently low Art Mart sales, E-da-how has targeted \$5,000 as beginning sales. The Art Mart's sales at current growth rate would be \$3,600 in 1985.

^cAt 10% growth.

FIGURE 5-15

Market

Art supplies have a more restricted market than do frames, but there is certainly more potential than what the Art Mart's current sales of \$2,657 indicate. For example, the McCall-Donnelly school system, which teaches 11 high school and 3 junior high art courses, purchases its supplies from Boise Blue Print Company and Snake River Pottery Company. In

addition the school lets students place their own individual orders and then consolidates them into an order once every two weeks.¹ Based on 170 art students per semester, their supplies easily amount to \$6,630.² An additional 60 pottery students per semester would require \$2,880 in supplies.³ This does not include expendables the school purchases, for instance paper, nor the grade school of over 500 students.

In addition other artists have found McCall a good area for working during their vacations. The Boise State College also teaches art and there is a growing artist population.⁴ However, again they bring many of their supplies with them. In addition, each summer several artists and schools sponsor art workshops in the McCall area. Among these are Boise State College, the University of Idaho, Idaho State College, Ruth Hamell, Quinton Gregory, and others. There are most likely 350 students involved in over a dozen classes which usually last one week each.⁵ Based on conservative estimates for supplies required to complete three to four canvases, this represents another \$9,800.⁶

¹Carl Goodwin, McCall-Donnelly Art Teacher 1969 to 1978, interview 1970, 1977; and Greg Kimball, McCall-Donnelly Art Teacher 1980-, telephone interview, March 1982.

²Computation is based on the following average semester costs: \$7.00 starter paint kit, \$2.50 brushes, \$4.00 canvases, \$2.00 replacing paint, \$1.50 on palette knives, trays, etc.; \$7.50 for paper, pencils, charcoal, etc.; and additional for wax, silver, etc. Does not include frames or larger paintings. Total is \$19.50 x 340.

³Pottery computation is based on \$18.00 for clay and \$6.00 for glazes per semester.

⁴Goodwin, interview 1970, 1977.

⁵Greg Kimball, telephone interview, March 1982.

⁶Computations are based on Figure 5-14. For a 20" x 24" painting costs are \$10.92 a canvas; however, some individuals also work in water colors which are less expensive, thus \$8 per week was used ($\$8 \times 3.5 \times (350) = \$9,800$).

Finally McCall supports a number of amateur artists. Indicated by numerous monthly shows listed in Star News and Maurey Ainger of the Art Mart, there are about 50 to 60 of these permanent area artists. Based on an estimated 20 canvases produced annually, this represents another \$8,000 to \$9,600 in art supply sales.

These estimates are well above current sales by the Art Mart and indicate sales are made outside of McCall. Artist supplies in McCall are expensive and the selection is inadequate. Currently there is good potential for quality artist supply sales in McCall. Adding the figures given earlier; McCall-Donnelly School, \$9,500; plus summer classes, \$9,800; plus resident artists, \$8,800; the potential sales total \$28,100--certainly much greater than the Art Mart's sales of \$2,657. Based on this potential, Figure 5-15 presents the targeted sales for 1985 and onward.

Artist Supplies Source and Handling Procedures

Artist supplies are available through several outlets. The initial stock will be from Dick Blick in Chicago, Illinois, or Art Supply House, Norwalk, Connecticut, and follow-on stocks from Salt Lake and Denver wholesalers. Again, it may take several days to receive a shipment and shipping to McCall is relatively more expensive than it is to Boise.

Artist supplies would be handled like the ready-made frames in most respects. As supplies arrive they would be checked, priced, and then stocked on the shelves. Again, there would be no back-room stocking. These initial inventory requirements are listed in Figure 6-4.

All merchandise would be controlled with control numbers which specify date and price. This aids in inventory and turn-over analysis and in re-pricing merchandise for sales. Figure 5-16 is an example of a control number.

CONTROL NUMBER

E-DA-HOW NUMBER

1 23 456 7890--

example: \$8.40, June 1981 is coded UHB-WUE

FIGURE 5-16

Artist Supplies Pricing Policy and Strategy

The artist supplies pricing strategy is identical to that for ready-made frames. The prices would first be set equivalent to the Boise Valley. Secondly, artists would receive a 10% discount. And finally, special sales and promotions would be held.

Again, the emphasis is on service to the artist and the local area. When the artist supplies stocked are of the same or better quality and of sufficient amounts, and the prices are the same or comparably less than competition, then E-da-how could expect to capture the potential sales of the McCall area.

4. Consignment Sales Profit CenterRetailing Objectives and Sales Forecast

Currently the Art Mart does \$28,530 (Figure 5-6) in consignment sales. If sales continue to grow at their current rate, in 1985 this will be \$33,285. Because the Art Mart is an established gallery and has been fairly receptive to including all of the area artists who wished to show, they are probably selling close to the potential market for amateur artists' works. The Art Mart does not sell much art by better known and more successful artists and the sales potential for these artists is unknown.

E-da-how is targeting consignment sales as 70% of the Art Mart and

then increasing this by 10% until it reaches 100% of the Art Mart market in 1988. E-da-how would then continue to target for 5% increases. This was based on the premise that the gallery would do a better job promoting area artists and servicing their works. Also E-da-how would not stress consignment sales as greatly as it would frames and supplies.

The question is quite naturally raised however, that these consigned works would compete directly with the author's works. However, the local McCall artists' works are not competitive and E-da-how would do more good for the growth of the art market by promoting them. First, the author's works are of better quality in most respects and considerably out of the local artist's price range. For example, the Art Mart's average prices range from \$60 to \$100. Secondly, the local works more closely fit the category of "wall decorations." Third, for the serious local artists, an eventual good mix of high quality paintings will enhance the gallery's image; and if the gallery can help promote these artists and help them become successful, then it's doing a good service to the Idaho art community.

Consignment paintings would take up a portion of the first floor of the main gallery. Better known artists would have one-man show rooms and the author would have much of the second and third floors. Basically, the artist supply and framing sales to these amateur artists would bring in additional revenue. Most importantly, the gallery would serve as an art center for everyone--to turn away artists would immediately invite competition which, based on the returns shown in chapter 6, could be devastating to the venture. The small margin contributed by all the profit centers including the consignment sales produce the profit.

E-da-how would promote the area artist by handling local artists' consignments at least during the initial years. If in later years the art

market in McCall becomes large enough that E-da-how can be selective of its market, then the venture would limit gallery space to just six or eight well-known Idaho artists. These would hopefully be artists the gallery helped develop.

CONSIGNMENT SALES FORECAST

1985 ^a	\$23,299	1991	\$35,897	1996	\$45,812
86	25,628	92	37,692	97	48,106
87	28,191	93	39,577	98	50,512
88	31,010	94	41,556	99	53,037
89 ^b	32,560	95	43,634	2000	55,689
90	34,188				

^a\$23,299 is 70% of Art Mart's projected sales. Growth is at 10%.

^bGrowth is at 5% from 1989 and on.

FIGURE 5-17

Consignment Sales Merchandise Source and Handling Procedures

Currently there is no list of McCall artists who would be contacted for stocking the gallery with consignment works. This is not a problem due to the large and growing artist population. Instead, before opening, the venture would advertise for artists.

As consignment works are received, duplicate records would be made. E-da-how would issue a contract to each artist (Figure 5-18) and a receipt for each painting (Figure 5-19). Finally, when a work is sold a statement of account would be issued (Figure 5-20) to the artist. Through this system the gallery and artist would be legally bound to their agreements and no misunderstandings should arise.

All works would be clearly priced and identified with tags provided

CONSIGNMENT CONTRACT

E-DA-HOW ART TREASURES

1. E-da-how Art Treasures Gallery, 1212 Lakeside, McCall, Idaho, 83638, (hereafter referred to as the "Gallery,") agrees to act as sales representative for (artist's name) , (hereafter referred to as "Artist,") for a period from to

2. The Gallery shall receive 25% of all sales made on its premises.

3. The Gallery shall not receive any commissions on royalties, sale of reproduction rights, or commercial assignments. It shall be understood that all sales are made exclusive of reproduction rights.

4. The Gallery will pay costs of packing and shipping work sent to clients. It will insure work against loss or damage while the work is on its premises only; insurance will be at 30% of price the artist would receive if the work were sold.

5. Payment to the Artist for any sales made by the Gallery shall be made within fifteen days from the date payment is received. If payment is to be made in installments, the Artist's prior consent shall be required, and payment to the Artist shall be made within fifteen days after each payment is received.

6. All works are received by the Gallery on consignment and in trust. The net proceeds of all sums received by the Gallery on account of works sold shall, after deduction of commission and expenses agreed upon, belong to the Artist.

7. The Gallery will give the Artist a written receipt for all work received; the Artist will sign a receipt for all work returned.

8. The Gallery shall keep records of transactions regarding each Artist's work, records which the Artist may inspect at any time during business hours.

9. This agreement may be canceled by either party by giving five days' written notice.

Date

Gallery Official

Artist

SOURCE: Adapted from Betty Chamberlain, The Artist's Guide to His Market (New York: Watson-Guptill Publications, 1979), pp. 217-219.

CONSIGNMENT SHEET

(to be filled out in duplicate)

Date: _____

Received from:

Name of Artist

Address

Phone

TITLE	MEDIUM	SIZE	SALES PRICE	%	COMMISSION
-------	--------	------	-------------	---	------------

1. _____

2. _____

3. _____

To be held until (date)

While the works listed above are on the Gallery's premises, they will be insured against loss or damage for the benefit of the Artist at 30% of the sales price less commission. None may be removed during the exhibition except as agreed in writing. Reproduction rights reserved by the Artist.

Signed by:

The Artist

For the Gallery

SOURCE: Adapted from Chamberlain, p. 220, and Diane Cochrane, The Business of Art (New York: Watson-Guption Publications, 1978), p. 100.

FIGURE 5-19

STATEMENT OF ACCOUNT

ARTIST _____ DATE: _____

ADDRESS: _____

TITLE	RETAIL PRICE	SALES COMMISSION:	DUE TO ARTIST:	DATE PAID:
1. _____				
2. _____				
3. _____				

NET AMOUNT DUE TO ARTIST: \$ _____

For the Gallery

SOURCE: Cochrane, p. 100.

FIGURE 5-20A

BILL OF SALE FORM

(to be filled out in duplicate)

PLACE

DATE

NAME (DEALER OR ARTIST)

ADDRESS

DESCRIPTION OF WORK: PRICE:

TERMS OF PAYMENT:
REPRODUCTION RIGHTS RESERVED

PURCHASER (signed)

AUTHORIZED DEALER OR ARTIST (signed)

SOURCE: Chamberlain, p. 220.

FIGURE 5-20B

by E-da-how. These tags would also have control numbers and data on the consigning artist (Figure 5-21). In addition a duplicate tag would be taped to the painting's back. In order to save the Gallery time in processing paintings, tags would be pre-printed with control numbers, and the consigning artist would fill in the information.

CONSIGNMENT TAGS

E-da-how Art Treasures		
<u>Samuel H. Williams</u>		
Artist		
<u>East Wind Before Sunrise</u>		
Title		
<u>Oil</u>	<u>36"x24"</u>	<u>\$480.00</u>
Medium	Size	Price
No. 002378		
<u>Oil</u>	<u>36"x24"</u>	<u>\$480.00</u>
Medium	Size	Price
<u>Date displayed^a</u>	<u>Date sold/price</u>	
Copy A ^b No. 002378		
Copy B ^c No. 002378		

^aDate first displayed, date sold and actual price are on copies only.

^bCopy A is attached to back of painting.

^cCopy B is filed with artist's records.

FIGURE 5-21

Consignment Pricing Policy and Strategy

Prices for consignment works would be left up to the artist. The Gallery intends to charge a 30% commission. This represents a competitive commission as the Art Mart currently charges 33 1/3% and other galleries charge anywhere from 40% to 60%.¹ The strategy is to become too competitive for the Art Mart and the Boise galleries and, in turn, switch the focus to McCall.

5. Rent Profit Center

Retailing Objective and Sales Forecast

As indicated in chapter 3, E-da-how will rent three sub-shops. In addition it will rent the studio until 1995 as a fourth shop. The objective is to rent all four until 1995 and from then on, all three. This will help provide a stable income to offset the building financing. The sales forecast (rent) is indicated in Figure 5-22 at approximately 3% growth rate. Inflation would also be added to this.

Potential Renters

There are several artists who have already indicated a strong interest in renting studio and shop space. Each of these artists would be screened according to criteria set forth in chapter 4. The main objective is to procure highly innovative artists who produce high quality works. Several potential renters are listed in Figure 5-23.

Sub-Shop Renter Policies

Sub-shop renter policies are outlined in general terms and could change, however, each renter would sign a lease for a specified time at a

¹ Cochrane, pp. 65, 68, 69; and Chamberlain, pp. 9, 57, 58.

E-DA-HOW RENT INCOME

	Shop 1 (150 sq ')	Shop 2 (150 sq ')	Shop 3 (200 sq ')	Studio ^a (200 sq ')	Monthly Total	Year
1985	\$185	\$185	\$250	\$250	\$ 800	\$10,440
86	190	190	255	255	890	10,680
87	195	195	265	265	920	11,040
88	200	200	270	270	940	11,280
89	205	205	280	280	970	11,640
90	215	215	290	290	1,010	12,120
91	220	220	300	300	1,040	12,480
92	230	230	305	305	1,070	12,840
93	235	235	315	315	1,100	13,200
94	240	240	325	325	1,130	13,560
95	250	250	335		835	10,020
96	255	255	345		845	10,140
97	265	265	355		885	10,620

^aThough the studio is 800 sq', only about 200 sq' would be rented as a sub-shop as the remainder doubles as the gallery.

NOTE: Rent is based on current McCall rates and projected to 1985. Currently a 200 sq' office rents for \$165 - \$200 per month. Perc Shelton, interview, March 1982.

FIGURE 5-22

POTENTIAL SUB-SHOP RENTERS.

Paul Nelson - fine jewelry
 Bob Williams - silversmith, gemstones
 Dean Hendrickson - silversmith
 Pat and Terri Dorris - pottery and sculpture
 John Deffenbaugh - photography

FIGURE 5-23

specified rate. As the contract runs out they would have options to renew it at the discretion of E-da-how. Basically, the sub-shops would enjoy the privileges as outlined in chapter 4. In addition to the sub-shop's own floor space, each would be entitled to two display cases or wall space

in the main gallery. The gallery space would be limited strictly to the highest quality material and if necessary a specific number.

6. General Pricing Policy and Strategy

E-da-how would follow a pricing strategy which would first help it reduce its competition and secondly provide a secure return. The strategy would allow the business to grow early and to continue growing after it is established.

In analyzing E-da-how's competition it was noted the competing ventures were not highly competitive. None had active or aggressive marketing plans, hence the McCall market is quite underdeveloped.

The several shops which carry lines of jewelry are not competitive. Only one sells solely jewelry--McCall Jewelers. The proprietor is old and no longer actively marketing; and, as indicated, the other jewelry stores and rock shops do not carry distinctive, high quality jewelry, nor do they sell rare minerals or gems. Since these products are intended for E-da-how sub-shop sales, the sub-shop is expected to have little competition.

The Art Mart continues to compete in art supply sales, framing, and gallery sales. However, it continues to emphasize stationary and office supplies--not the art market. Consequently there still exists little competition in the McCall area. Most potential customers continue to make purchases in Boise.

E-da-how would price supplies, frames, and consigned paintings initially lower in an effort to reduce its competition. Because the competitors tend to focus on other markets, i.e., cabochon jewelry and office supplies, the potential competition is expected to be reluctant to continue to try to compete in their secondary lines. Since they've shown casual

interest in E-da-how's market areas thus far, it is expected they would tend to drop out of these markets and focus on their profitable product lines; or, and of more benefit, some of the competitors could lease sub-shops from E-da-how and maintain their particular niche--for example, Paul Nelson and Ron Parks.

E-da-how would work actively to keep its prices to its customers down. The venture would be profitable because the several profit centers contribute. The targeted profit is \$40,000 in 1992 and continued growth at 10% thereafter (chapter 6).

7. Advertising Plan

Advertising is an important element for high value related products such as gems and fine art. The elements covered in this section should be considered for any like-business and provide a guide for building an advertising plan. Concepts are based on Advertising Principles, Problems and Cases.¹

Advertising will play an especially important part for E-da-how Art Treasures. Some of the key points for establishing the framework for an advertising campaign are addressed in this section. The available media and sales promotion plans for each of the profit centers and a basic budget are also identified.

Available Media

McCall has limited advertising media. The town has a weekly newspaper, the phone book's yellow pages, the phone itself, the mail, and one radio station. In addition, several TV stations from Boise and elsewhere,

¹Charles J. Dirksen, Arthur Kroeger, and Francesco M. Nicosia, Advertising Principles, Problems and Cases, 6th ed. (Homewood, Illinois: Richard D. Irwin, 1977), passim.

as well as several Boise radio stations, and the Idaho Statesman (a Boise newspaper) reach McCall. This plan focuses on McCall media until the gallery establishes itself as a leading Idaho gallery and can benefit from Boise media.

McCall's radio, KMCL, services McCall and the small towns in the surrounding area. Basically, it covers E-da-how's primary target area. It plays mostly country music however, and thus has a limited listening audience. The working people, ranchers, miners, loggers, etc., tend to be KMCL's audience. Most younger people, ages 18-30, listen to one of several Boise stations which play more rock. However, KMCL, is the "town's radio" and, as such, services the area with local news and sports.¹ This prime local interest time is when E-da-how would use KMCL.

The weekly newspaper, the Star News, reaches nearly 4,000 people each week including summer residents in Boise and other outlying communities.² People read the Star News. It is the only paper serving the central Idaho area and, consequently, keeps local interest high through its superb sports and activities coverage as well as all manner of local news. Star News is a highly respected Idaho newspaper and consistently places well in state competition. For 1979 and 1980 it placed 1st overall. In 1980, it took 1st in sports, editorials, and news coverage. Finally, it also publishes a free visitor's guide which reaches 20,000 people.³

Consequently E-da-how would advertise weekly using a 4 1/2" x 6" column display ad. Additionally the Star News would print free, a photo and

¹Jim McCall, KMCL manager, McCall, Idaho, telephone interview, July 1981.

²Heidi VanCleave, Star News advertising assistant, McCall, Idaho, telephone interview, July 1981.

³Ibid.

short story on each month's featured artist as a news item. Most importantly E-da-how would run a large 1/3 page ad in the Visitor's Guide describing the public gallery and its native Idaho products. Since this guide also has feature articles on art shows and art work shops in the area, this is also another excellent opportunity for E-da-how to publish similar articles.

The area phone book is the third media and covers most of central Idaho. This area includes eleven towns with a total population of 7,000. Nearly all these people are within the McCall trade area. The main importance of the phone book is the yellow pages to which visitors turn for information of the local area. E-da-how would use a single large 1/2 page ad under "art galleries" (Figure 5-24).

The final media is the mail. Since personal contact is very important in selling high value items such as gemstones and fine art, personal letters would help E-da-how do this. These letters are especially important in drawing large crowds for one-man showings and special sales.¹

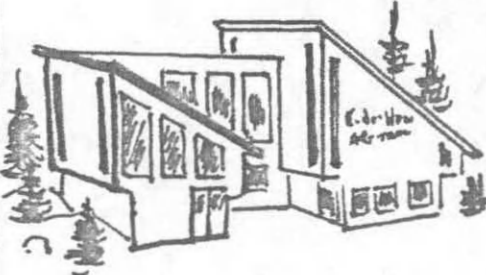
General Gallery and Sub-Shop Promotion

There would be an on-going campaign for the gallery and its sub-shops. The basic plan includes the proposed ads, their frequency, and the media used. One quarter (13) of the weekly Star News ads would be a regular ad (Figure 5-25) which would be similar to the yellow page ad and which would simply promote the gallery. Another 13 would deal with specific promotions such as a frame sale, artist supplies sale, and Christmas gift sale (Figure 5-26). The remaining 28 ads would be promotional for one-man shows (Figure 5-27).

Radio ads would also be of three general types. Type 1 would promote

¹Katchen, pp. 64-66.

SAMPLE YELLOW PAGE AD




E·Da·How
ART TREASURES
McCALL IDAHO
1206 LAKESIDE DRIVE

(208) 364-5251

FEATURING

E-da-how Gallery 634-5251
Silver Knot Jewelry 634-7271
Lake Photo 634-7888
Silvan Prints & Litho - 7912

- ART SUPPLIES
- PUBLIC GALLERY
- IDAHO ARTISTS
- FINE JEWELRY GIFTS
- PICTURE FRAMING
- ARTISTS' DISCOUNTS



PAUL KLOTT
SILVER KNOT

JOE DORRIS
MANAGER
ARTIST

SAM ROTH
LAKE PHOTO

"Please come in and Browse!"
Near Shorelodge


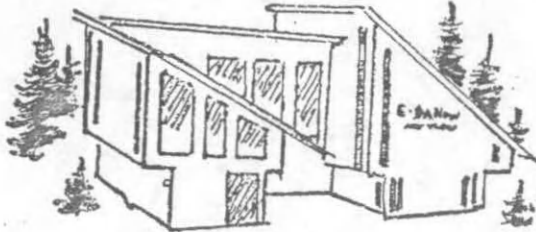
VISA  OPEN 7 DAYS
10AM - 5PM


FIGURE 5-24

SAMPLE STAR NEWS AD


E·Da·How
ART TREASURES

364-5251

1206 Lakeside Drive




JOSEPH DORRIS
ARTIST

- E-da-how Gallery - JOE DORRIS
- Silver Knot Jewelry - PAUL KLOTT
- Lake Photo - SAM ROTH
- Silvan Prints & Litho - JIM NELSON

Art Supplies
Public Gallery
Idaho Artists
Fine Jewelry
Picture Framing

DISCOUNTS TO ARTISTS!

VISA  OPEN 7 DAYS
10 AM - 5 PM




FIGURE 5-25

SAMPLE STAR NEWS DISPLAY AD
FOR PROMOTIONS AND SALES



E·Da·How
ART TREASURES

364 - 5251



JOSEPH MORRIS
ARTIST



20% OFF!

FRAME SALE

13 MARCH - 26 MARCH

VISA  OPEN 7 DAYS
10AM - 5PM

FIGURE 5-26

the one-man shows, Type 2 would be unchanging and of a general promotional style for the gallery, and Type 3 would promote special sales and promotions.

The two most intensive advertising periods would be the summer season and the Christmas season. Due to the greatest potential during the summer, E-da-how would advertise heavily and would hold a general sale in July. This overall basic advertising plan and the methods ads, which support these busy seasons, are shown in Figure 5-28.

In addition to these promotions the gallery would also sponsor an annual art competition in February. This would be a juried show as outlined in chapter 2. In addition to cash awards however, the gallery would arrange for several purchase awards from area businesses. In this case, the businesses would agree ahead of time to purchase a painting at a pre-set price, say \$200. The business then selects a painting (subject to the artist's agreement to participate) of up to \$200.

Author's Personal Production Promotion Plan

The author's production goals and proposed shows addressed in chapters 2 and 4 covered the time period before 1995. As of 1995, the author would become a full-time artist and would need to adjust promotion methods for his works.

In this respect the author would hold two special gallery showings annually, one in April and one in October (Figure 5-28). These shows would be similar to his annual home show in that potential customers would be personally invited to a private showing, say the weekend before the gallery opens to the public. In this respect, they would have an opportunity for first purchase options.

The basic promotional plan for the author's two shows is outlined in

ADVERTISING CAMPAIGN

Artist/Promotional	Dec.	Jan.				Feb.				Mar.			
		Mick Kitzman				Juried Show During Winter Carnival				Frame Sale Donna Fiedler			
Week	4	1	2	3	4	1	2	3	4	1	2	3	4
Yellow page ad 1/2 page and Visitor's Guide 1/3 page	X	X	X	X	X	X	X	X	X	X	X	X	X
<u>Star News</u> (newspaper)													
1 = one-man show ads	1	1			1	1			1	1			1
2 = gallery promotional ad			2	2			2	2					
3 = promotional ad (sale, etc.)											3	3	
<u>KMCL</u> (radio)													
1 = one-man show spots	1	1			1	1			1	3	3		1
2 = gallery promotional ad	1	1			1	1			1	3	3		1
3 = promotional ad (sale, frames, gifts, etc.)	1	1			1	1			1	3	3		1
	1				1				1	1			1
	1				1				1	1			1
	2								1				1
	2												1
Letters (100 each category)													
1 = artist's clientele list					1				1				1
2 = regular gallery list					2				3				
3 = artist supplies list					3								
Receptions		1				3				1			
1 = one-man													
2 = author													
3 = juried show													

FIGURE 5-28

ADVERTISING CAMPAIGN (Cont'd)

Artist/Promotional	Apr. Artist Supply Sales Joe Dorris				May Ruth Hamell Graduation Gifts				June Jewelry/Weddings Terry Fairman			
	1	2	3	4	1	2	3	4	1	2	3	4
Yellow pages/Visitor's Guide	X	X	X	X	X	X	X	X	X	X	X	X
Star News (newspaper)												
1 = one-man show ads	1	1	1	1	1			1	1			1
2 = gallery promotional ad						2	2				2	
3 = promotional ad (sale, etc.)			3	3						3		
KMCL (radio)												
1 = one-man show spots	3	3		1	1	3	3	1	1	2	2	1
2 = gallery promotional ad	3	3		1	1	3	3	1	1	2	2	1
3 = promotional ad (sale, frames, gifts, etc.)	3	3		1	1		3	1	1	3	3	1
	1	1		1				1	2	3	3	1
	1	1		1				1	3	3	3	1
								3	3			3
								3	3			3
									3			
Letters (100 each category)												
1 = artist's clientele list				1				1				1
2 = regular gallery list												4
3 = artist supplies list												
4 = jewelry list												
Receptions	2				1					1		
1 = one-man												
2 = author												
3 = juried show												

FIGURE 5-28

ADVERTISING CAMPAIGN (Cont'd)

Artist/Promotional	July Donna Colett General Sales				August David Spielman Paintings				Sept. Pat Marsh				
	Week	1	2	3	4	1	2	3	4	1	2	3	4
Yellow pages/Visitor's Guide	X	X	X	X	X	X	X	X	X	X	X	X	X
Star News (newspaper)													
1 = one-man show ads	1			1	1			1		1			1
2 = gallery promotional ad			2			2	2				2	2	
3 = promotional ad (sale, etc.)		3											
KMCL (radio)													
1 = one-man show spots	1	2	2	1	1	2	2	1		1			1
2 = gallery promotional ad	1	2	2	1	1	2	2	1		1			1
3 = promotional ad (sale, frames, gifts, etc.)	1	3	3	1	1	3	2	1		1			1
	2	3	3	1	2	3	2	1					1
	2	3	3	1	2	3							1
	3	3	3	1	3	3							1
	3			3	3								1
	3			3	3								1
	3				3								1
	3				3								1
Letters (100 each category)			1				1					1	
1 = artist's clientele list												2	
2 = regular gallery list												4	
3 = artist supplies list													
4 = jewelry list													
Receptions	1				1					1			
1 = one-man													
2 = author													
3 = juried show													

FIGURE 5-28

ADVERTISING CAMPAIGN (Cont'd)

Artist/Promotional	Oct. Joe Dorris Gifts/Jewelry				Nov. Quinton Gregory Gifts/Jewelry				Dec. Timothy Drake Gifts/Jewelry		
	1	2	3	4	1	2	3	4	1	2	3
Yellow pages/Visitor's Guide	X	X	X	X	X	X	X	X	X	X	X
Star News (newspaper)											
1 = one-man show ads	1	1	1	1	1			1	1		
2 = gallery promotional ad											2
3 = promotional ad (sale, etc.) ^a						3	3			3	
KMCL (radio)											
1 = one-man show spots	1	1	3	1	1	3	3	1	1	3	2
2 = gallery promotional ad	1	1	3	1	1	3	3	1	1	3	2
3 = promotional ad (sale, frames, gifts, etc.)	1	3	3	1	1	3	3	1	1	3	2
				1	3	3	3	1	3	3	
				1	3	3	3	1	3	3	
				3	3	3	3	3	3	3	
				3	3	3	3	3	3	3	
				3	3	3	3	3	3	3	
				3	3	3	3	3	3	3	
Letters (100 each category)											
1 = artist's clientele list			1				1				1
2 = regular gallery list							3				
3 = artist supplies list											
4 = jewelry list											
Receptions	2				1				1		

^aStar News ads will be run every week, thus based on a standard year this figure only adds up to nine. In reality there will be 13, type 3, Star News ads.

FIGURE 5-28

year. Though the gallery would have potential to hold three one-man shows simultaneously, one per month would be held until the market picks up.

The gallery would run a paid display ad in the Star News (Figure 5-27) on each featured artist for the week prior to and the week beginning the one-man show. E-da-how would also write and publish a news article with a photograph of the featured artist. The Star News runs these free of charge as news features and does so currently for the monthly Idaho 1st National Bank shows.¹ In addition the gallery would run six, 30 second radio spots during the week preceding the show and reception and then three, 30 second spots per week during the first week of the show. These radio ads would focus as much on the gallery as they do the featured artist since these ads promote the gallery's business and would be paid for by the gallery. Finally the gallery would send pre-paid, up to 100 letters to potential customers on the featured artist's personal listings. Total advertising cost and this plan are illustrated in Figure 5-30.

Again the promotion for one-man shows partially benefits the gallery sales in general; therefore, a portion of this cost must be allocated to the general advertising budget. Thus the gallery does not necessarily have to recover \$155.00 from a one-man show to cover advertising costs.

Sub-Shop Promotion Plan

The gallery would provide general advertising which benefits all sub-shops. It would not, however, advertise for specific sub-shops. If sub-shops advertise specifically, they would do so on their own.

One annual sale would be planned for July (Figure 5-28). For this sale each sub-shop would be prorated a share of the advertising cost. In addition, they would pay a percentage of all type 2 ads which advertise the

¹VanCleave, interview, July 1981.

gallery. They would also pay a portion of other general promotional ads for special sales which advertise the products they sell. For example, the jewelry sub-shop would support jewelry ads. These allocated costs are shown in Figure 5-32a.

ONE-MAN SHOW CAMPAIGN

December												January															
S M T W T F S S M T W T F S S												S M T W T F S S M T W T F S S															
RRRRR R												R R R															
L NA PR												S S															
<u>Media</u>													<u>Qty</u>													<u>Cost</u>	<u>Total</u>
R = KMCL Radio													9													\$ 3.25 ^a	\$ 29.25
S = Star News													2													33.00 ^b	66.00
NA = News Article													1														
L = 100 letters sent													100	(includes labor & stationary)												.40	40.00
PR = Public Reception													1 day	(includes labor & refreshments)													<u>20.00</u>
														Total Cost	<u>\$155.25</u>												

^aJim McCall, interview, July 1981.

^bVanCleave, interview, July 1981.

FIGURE 5-30

Frames and Art Supplies Promotion Plan

The gallery would hold a frame sale during March and a general artist supplies sale during April. For these promotions two newspaper display ads would be run for the two-week sale at mid-month. (Mid-month ads would not conflict with the one-man shows.) There would also be three 30-second radio spots the day preceding the sale and three more during the sale. In addition personal letters would be sent to artists and potential buyers.

Figure 5-31 illustrates this.

SPECIAL PROMOTIONS														
February					March									
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S
								R	R	R	R			
								R						
								R						
	L									SN				SN
<u>Media</u>		<u>Qty</u>		<u>Type</u>				<u>Cost</u>						<u>Total</u>
R = KMCL Radio		6		30 Sec. spots				\$ 3.25 ^a						\$ 19.50
SN = Star News		2		4½"x6" display ad				33.00 ^b						66.00
L = Letters Sent		100		(includes labor)				.40						<u>40.00</u>
													Total Cost	<u><u>\$125.50</u></u>

^aJim McCall, interview, July 1981.

^bVanCleave, interview, July 1981.

FIGURE 5-31

Advertising Budget

The general budget for the advertising campaign outlined in Figure 5-28 is outlined in Figure 5-32a. Each proposed sub-shop is broken out and proposed percentages are applied to the monthly advertising cost. The annual budget per sub-shop would be roughly \$540.00. Advertising would be offered as a package which would outline the promotions and the type of advertising involved.

The gallery's advertising budget would be much greater--about six times greater. Because its objective is to develop area artists, it would require a larger budget. This proposed budget is broken out by media in Figure 5-32b. Since the budget in Figure 5-32b reflects ads partially paid by sub-shops, if a sub-shop was not rented, some advertising would

ANNUAL ADVERTISING BUDGET ALLOCATION

	Photography Sub-Shop	Sub-Shop 2	Sub-Shop 3	E-da-how Art Supplies/ Frame Gallery	Total
<u>January</u>					
Kitzman				(1.0) 155.25	155.25
General	(.2) 13.20	(.2) 13.20	(.2) 13.20	(.4) 26.40	66.00
Letters				(1.0) 80.00	80.00
<u>February</u>					
Juried Show ^a				(1.0) 200.00	200.00
General	(.2) 13.20	(.2) 13.20	(.2) 13.20	(.4) 26.40	66.00
Letters				(1.0) 40.00	40.00
<u>March</u>					
Fiedler				(1.0) 155.25	155.25
Frame Sales	(.2) 17.12	(.2) 17.12		(.6) 51.30	85.50
<u>April</u>					
Dorris				(1.0) 253.00	253.00
Artist Supplies		(.2) 17.12		(.8) 68.40	85.50
<u>May</u>					
Hame ll				(1.0) 155.25	155.25
Graduation	(.2) 5.20	(.2) 5.20	(.2) 5.20	(.4) 10.40	26.00
General	(.2) 5.20	(.2) 13.20	(.2) 13.20	(.4) 26.40	66.00
<u>June</u>					
Fairman				(1.0) 155.25	155.25
Jewelry/Wedding	(.2) 23.70	(.2) 23.70	(.4) 47.40	(.2) 23.70	118.50
General	(.2) 10.50	(.2) 10.50	(.2) 10.50	(.4) 21.00	52.50

continued

FIGURE 5-32a

ANNUAL ADVERTISING BUDGET ALLOCATION (Cont'd)

	Photography Sub-Shop	Sub-Shop 2	Sub-Shop 3	E-da-how Art Supplies/ Frame Gallery	Total
<u>July</u>					
Colett				(1.0) 155.25	155.25
General Sales	(.25) 19.60	(.25) 19.60	(.25) 19.60	(.25) 19.70	78.50
General	(.25) 13.12	(.25) 13.12	(.25) 13.12	(.25) 13.12	32.50
<u>August</u>					
Spielman				(1.0) 155.25	155.25
Paintings		(.2) 11.80		(.8) 47.20	59.00
General	(.2) 11.80	(.2) 11.80	(.2) 11.80	(.4) 23.60	59.00
<u>September</u>					
Marsh				(1.0) 155.25	155.25
General	(.2) 21.20	(.2) 21.20	(.2) 21.20	(.4) 42.40	106.00
Letter			(.6) 24.00	(.4) 16.00	40.00
<u>October</u>					
Dorris				(1.0) 253.00	253.00
General	(.25) 6.50	(.25) 6.50	(.25) 6.50	(.25) 6.50	26.00
<u>November</u>					
Gregory				(1.0) 155.25	155.25
Gifts	(.25) 44.37	(.25) 44.37	(.25) 44.37	(.25) 44.37	177.50
<u>December</u>					
Drake				(1.0) 155.25	155.25
Gifts	(.25) 19.25	(.25) 19.25	(.25) 19.25	(.25) 19.25	77.00
General ^b	(.25) 46.12	(.25) 46.12	(.25) 46.12	(.25) 46.14	184.50
SUB TOTAL	270.08	307.00	308.66	2,755.53	3,641.25

continued

FIGURE 5-32a

ANNUAL ADVERTISING BUDGET ALLOCATION (Cont'd)

	Photography Sub-Shop	Sub-Shop 2	Sub-Shop 3	E-da-how Art Supplies/ Frame Gallery	Total
Yellow Pages ^c	(.2) 217.80	(.2) 219.80	(.2) 217.80	(.4) 435.60	1,089.00
Visitor's Guide ^d	(.2) 30.00	(.2) 30.00	(.2) 30.00	(.4) 60.00	150.00
Receptions				80.00	80.00
TOTAL	<u>518.60</u>	<u>554.80</u>	<u>556.46</u>	<u>3,331.13</u>	<u>4,960.25</u>

^a Does not include Awards Cost.

^b Also includes four general Star News ads to equal 52 weeks.

^c Leland Mast Directory Company, yellow pages.

^d VanCleave, interview, July 1981.

FIGURE 5-32a

decrease.

E-DA-HOW BUDGET BY MEDIA

KMCL Radio

One-man shows	263.25	
Author's shows	110.00	
Juried Show	29.25	
Promotions (sales)	222.00	
General promotion	28.60	
	<u>653.10</u>	653.10

Star News

One-man shows	594.00	
Author's shows	216.00	
Juried Show	66.00	
Promotions (sales)	118.00	
General promotion	171.60	
	<u>1,166.40</u>	1,166.40

Letters

One-man shows	360.00	
Author's shows	120.00	
Juried Show	40.00	
Art Supplies	120.00	
Framing	40.00	
Jewelry	16.00	
	<u>696.00</u>	696.00

Receptions

One-man	180.00	
Author's receptions	60.00	
Juried Show	80.00	
	<u>320.00</u>	320.00
Yellow Page	435.60	435.60
Visitor's Guide	60.00	60.00
		<u>3,331.10</u>

FIGURE 5-32b

The advertising study represents a basic plan for E-da-how Art Treasures. During the initial years 1985 through 1990, E-da-how would

gradually phase in a full promotion program for one-man shows. Because the Art Mart has a very limited promotion for these shows, E-da-how would still have a better program even at 50% of the plan. This would also decrease initial costs, but due to the importance of initial advertising, no other areas would differ from the plan in Figure 5-32b.

The proposed campaign was designed around specific objectives and as a result the budget is determined from the cost of meeting these objectives, not as a percentage of sales or other means. To produce a gallery which presents the image outlined in chapter 2 and to develop the market as explained in chapter 4, this type of plan is essential.

8. Management Policies and Practices

General policies and guidelines not treated elsewhere are briefly addressed below. In addition, sub-shop guidelines and constraints are further refined.

Since E-da-how would be operated similarly to a mall, all sub-shops would be managed and operated independently as separate businesses. They would be physically constructed so business hours could vary, though the venture would try to keep them the same. Each shop would be separately metered for electricity because some, such as jewelry manufacturing, require a great deal. Each would also pay an equal share of the common area upkeep, for example, building repair (exterior or gallery) and toilet facilities. They would also share on a square foot basis the cost of heating during those times the venture uses back-up heating. All other legal, accounting, and internal management functions would be the responsibility of each shop. Costs are allocated in chapter 6.

The accounting system for E-da-how would break out each major area

into separate accountable businesses or areas of income--the five profit centers. E-da-how would use T sheets for the author's sales, consignment sales, rent income, frame sales, supply sales, and the overall building itself. Sales would be identified by a letter designation. For example, A = the author's paintings, B = frames, C = artist supplies, etc. These letters would also identify purchases such as equipment, inventory, and so on. Each profit center would also have major areas broken down as necessary, for example, accounts receivable on paintings purchased over time. Other records identified throughout the thesis would be kept with each profit center, and most expenses would be allocated proportionately to each profit center.

9. Summary

Specific retailing objectives, sales forecasts, a pricing strategy, and an advertising plan have been treated throughout this chapter. Profit centers were addressed separately. One of the most important aspects was the sales forecasts. These were based primarily on like-ventures and current sales in the McCall area. All were estimated at the minimum expected level in order to determine a lower break even point. These forecasted sales are expected to prove realistic and easily obtainable. Because these projected sales provide a reasonable return as chapter 6 shows, the potential for the venture is good.

Cost for goods was determined also from like-businesses, except in the case of the author's paintings where historical data were available. COGS for E-da-how would be slightly higher due to shipping costs and less available sources.

Pricing was targeted to be lower than area competitors. This is

expected to discourage and suppress competition and to also promote art sales. As indicated, some competitors could become sub-shop renters. Because E-da-how would not be highly dependent on a profit the first few years, a lower pricing strategy is possible. Lower prices are expected to encourage greater volume.

Several record keeping forms were also identified. These forms are currently used and could certainly help in the controlling aspects, especially legal aspects.

An advertising plan was also developed and would be further refined as needs are further defined; however, it gives a realistic budget for planning purposes. It also helps in current promotions, and prospective sub-shop renters can examine such a plan. The current advertising campaign reinforces the venture's efforts in making McCall an art center.

The forecasts would be used as projected revenues and costs. As these data change, the impact on the gallery changes and, thus, these forecasts will be updated. They are compiled into projected profit and loss statements in chapter 6.

CHAPTER VI

FINANCIAL PLAN AND VENTURE PROFITABILITY

The financial plan for E-da-how Art Treasures and its profitability is analyzed in this chapter. The capital assets and initial inventories required before start-up and one-time start-up costs are first addressed. An inventory and asset acquisition schedule and a financing plan to this schedule are then presented. Finally projected revenues and costs are combined into pro-forma profit and loss statements and show that E-da-how Art Treasures is financially feasible and would eventually return a profit.

1. Capital Assets, Initial Inventories, One-Time Start-Up Costs, and Operating Costs

The capital asset and inventory acquisition plan up to 1985 as well as the start-up costs for the building are presented in this section. The equipment, inventory, and built-in assets required by each profit center are also identified. Finally the total building costs and projected operating expenses for 1985 and beyond are compiled.

On hand equipment and needed equipment is presented below. These equipment requirements and the acquisition dates are also identified. In a like manner, the inventories are listed. Some required inventory and equipment are already on hand because the author uses significant amounts for current art and gem work. The profit centers which basically require

100% equipment and inventory are the framing and artist supplies centers.

Author's Studio Requirements for Personal Art Works and Gemstones

Most of the personal art work requirements have been identified elsewhere. This section formally compiles asset listings, not only for art works, but also for gemstone works. Art studio equipment is identified in Figure 6-1 and gem related equipment is listed in Figure 6-2. These lists should be helpful to other artists in developing similar studios.

Currently the gemstone area is treated as a hobby and as a means of raising necessary funds for financing the venture. (A later section addresses financial aspects of gem investing.) Basically the listed capital assets are necessary to complete a well-equipped studio and, thereby, allow the author the option of producing fine jewelry pieces. The gemstone option is also a possible future profit center; however, as this study has substantiated, it is secondary to the author's art work and his success as an artist.

Frame Shop Profit Center Requirements

In order to start-up this profit center, all equipment and inventory must be purchased. This inventory, listed in Figure 6-3, satisfies projected sales for the first few years; however, a second selection of mats and moldings would be ordered in 1990 to expand the available lines. Other inventory and supplies would be replaced as used. Occasionally inventory would be bought in installments. This is indicated by different priorities and years as acquisition dates.

Artist Supplies Profit Center Requirements

Similar to the framing center, the artist supply profit center would also be newly stocked. The inventory indicated in Figure 6-4 is an ideal

AUTHOR'S ART STUDIO EQUIPMENT

Priority	Equipment	Qty	Cost	Date to be Acquired
B	Air Brush		75	82
D	Studio Easel, large		210	84
	Studio Easel, medium		175	AQ
B	Swivel chair/stool		50	82
	Studio chair		20	AQ
A	Art table with light		325	81
	Desk lamps		80	AQ
	Paint stand		25	AQ
	Storage shelves (portable)	5	150	AQ
A	Fire proof waste basket		40	81
	Four-drawer file cabinets	2	260	AQ
A	Large 36" x 24" file cabinet		220	81
B	Lithograph Press		1200	82
D	Pottery kiln		1200	84
D	Potter's Wheel		380	84
D	Flat work tables 48" x 72"	2	120	84
	Artists supplies, paints, canvas, paper, water colors, pastel, chalk, colored pencils, zinc plates, mat board, glue, staples, tape, paint trays, etc.		1200	AQ
	Display materials, record book, show book		100	AQ
	Pencil sharpener		30	AQ
A	Art work station on wheels		230	81
A	Storage bin		60	81

Art Studio Assets Built-In

Track lights		84
Sink	(Price included	
Cupboards and drawers 36" x 144"	in building	
Storage racks above entry	estimates)	
Storage racks below studio deck		

SOURCE: Prices and requirements were derived from American Artist Studio Issue 45 (February 1981): 43-46, 50-53, 62-67, 74-77.

FIGURE 6-1

GEM CUTTING CAPITAL EQUIPMENT

Priority	Equipment	Qty	Cost	Acquisition Date
	18" saw		400	AQ
	Cabochon unit		450	AQ
C	Vibrasonic Tumbler		200	83
C	Centrifuge, burn-out oven, acetylene		1300	83
C	Pickler		45	83
	Casting wax, patterns		70	AQ
	Silver and gold		2500	AQ
	Buffing wheel		170	AQ
	8" faceting saw		100	AQ
	Faceting unit, prismatic		1000	AQ
	Laps, 180, 260, 600, 1200, polish		700	AQ
C	Display cases, lighted	4	800	83
	Competition cases	2	130	AQ
D	Gem display cases	12	240	84
D	Ring display trays	7	140	84
B	Findings, Commercial selection, rings, chain		550	82/other is AQ
B	Jewelry boxes		250	82
	Tools, setting pliers, pliers, files		50	84
D	Wrapping supplies		60	84
B	Stereoscope microscope		1000	82
B	Dichroscope		20	82
B	Polariscope		20	82
A	RFI Index refractometer		200	81
B	Misc test equipment		200	82
	Gem scale		90	AQ
	Ultraviolet lamp		90	AQ
B	Mounting boxes and supplies		100	82
A	Ultrasonic cleaner		280	81
B	Rock trimer (cracker)		60	82
	Tools, hammers, chisles, tweezers		180	AQ
D	Overhead lamps	4	160	84
	Books		600	AQ
	Supplies, diamond powders, star laps, saw blades, polish grit, dop sticks, wax		240	AQ

SOURCE: Prices taken from Lapidary Journal ads, 1981 issues; and Alpha Faceting Supply Catalog, 1981.

NOTE: All prices are retail prices and may actually be lower by 20-30% when E-da-how purchases at wholesale.

FIGURE 6-2

FRAME SHOP EQUIPMENT AND INVENTORY

Priority	Item	Qty	Cost	Acquisition Date
C	Saw or chopper		1200	83
C	Frame vise	4	325	83
B	Air compressor		410	82
D	Flat work tables 48" x 72"	4	240	84
C	Staple gun (pneumatic)		92	83
C	Tack stapler		105	83
C	Dry mount press		1070	83
C	Card and glass cutter		370	83
C	Mat cutter 90°		100	83
C	Mat cutter 45°		470	83
D	Glass (fig. 5-12)		180	84
D	Mats (fig. 5-12)		1575	84
F	Mats (fig. 5-12)		1575	87
D	Molding first order (fig. 5-12)		5750	84
F	Molding second order (fig. 5-12)		5750	87
G	Molding third order (fig. 5-12)		2000	89
B	Expendable supplies and tools		250	82
	(2) rolls wire; (4) snippers;			
	(4) pliers; (2) T-squares;			
	(1000) eyelets; (1000) screws;			
	(2000) brads, staples;			
	(4) hammers; pads, glue, tape,			
	backing paper; (4) drills; putty,			
	glass cleaner, etc. (fig. 5-12)			
B	Ready-made frames (fig. 5-11)		2177	82
E	Ready-made frames (fig. 5-11)		2000	85

Built-In

36" x 120" bench and cupboards		84
Wall peg boards	(Price included	
Storage racks (below studio deck)	in building	
Storage racks (above work bench)	estimates)	

SOURCE: Roberts, Interview, July 1981.

FIGURE 6-3

starting inventory;¹ however, E-da-how would not purchase this entire inventory in 1985. Instead the inventory would be broken down into three or four major orders over a couple years.

ARTIST SUPPLIES EQUIPMENT AND INVENTORY REQUIREMENTS

Priority	Item	Qty	Cost	Acquisition Date
F	Liquitex, 32 colors + W&B, acrylic	6	175	87
F	Hyplar, 36 colors + W&B, acrylic	6	226	85
G	Hunt speed ball, 34 colors, acrylic	6	153	89
F	Grumbacher, 54 colors + W&B, pretest oil	6	486	85
F	Grumbacher, 70 colors + W&B, finest oil	4	648	87
G	Windsor & Newton, 116 colors + W&B, oil	4	1307	89
F	Windsor & Newton, 105 colors, water color	6	1247	87
E	Grumbacher, 44 colors + W&B, water color	6	470	85
E	Liquitex acrylic sets	6	134	85
E	Grumbacher oil sets (2 styles)	8	309	85
E	Grumbacher water color sets	10	62	85
E	Hyplar starter sets	15	287	85
E	Ink sets	6	53	85
E	Varnish selection		30	85
E	Linseed oil		120	85
E	Turpentine		60	85
E	Pastels selection		140	85
E	Pencils selection		60	85
E	Pens		20	85
E	Paper fine types, pads		180	85
E	Pastel sets (2 styles)	6	180	85
E	Preservatives, pastels		50	85
F	Pastel sets, 180 colors	2	140	87
E	Brushes, selection, water color	57	2205	85
F	Brushes, selection		2205	87
G	Brushes, selection		2205	89
E	Brushes, selection, oil	47	1236	85
F	Brushes, selection		1236	87

FIGURE 6-4

¹Owner, Art Market, Great Falls, Montana, interview, June 1978.

ARTIST SUPPLIES EQUIPMENT AND INVENTORY REQUIREMENTS (Cont'd)

Priority	Item	Qty	Cost	Acquisition Date
G	Brushes, selection		1236	89
E	Paper, water color selection 140 lb		955	85
F	Paper, water color selection 300 lb		540	87
F	Paper, water color selection 200 lb		255	87
E	Single, sheet paper selection		600	85
F	Single, sheet paper selection		600	87
E	Canvas, 5 types, rolls		308	85
E	Palettes		40	85
E	Tables, equipment, lights	2	360	85
E	Easels	3	340	85
E	Palette knives, selection		40	85
E	Total		8251	85
F	Total		7746	87
G	Total		4901	89

Artist Supplies Built-In Items

Display shelves	(price included in	84
Track lighting	building plans)	

SOURCE: Prices taken from Texas Art Supply Company, Dick Blick Art Supplies, Art Supply Warehouse, and American Artist ads. Requirements suggested by owner, Art Market, Great Falls, Montana, June 1978.

FIGURE 6-4

Gallery Consignments Profit Center and
General Business Requirements

Gallery consignments and general business are combined since they involve the entire gallery. The consignment profit center also overlaps into the sub-shops and the author's sales; however, it will be treated as a unit. While equipment for the consignments center would not be needed until the gallery opens in 1985, all of the general business equipment is needed immediately. It would be used for the author's current sales.

Inventory Acquisition Plan

The inventory acquisition plan and capital assets are arranged by priority and time. Basically, the author's art studio, jewelry, and gem

CONSIGNMENTS AND GALLERY EQUIPMENT AND INVENTORY REQUIREMENTS

Priority	Item	Qty	Cost	Acquisition Date
G	Table, chairs, living room style		400	89
G	Padded benches	8	320	89
G	Potted plants		100	89
	Ladder		50	AQ
E	Hangers and wire		40	85
E	Ledger and guest book		80	85

Gallery Built-In Items

Angled matted gallery walls	(price included in building plans)	89
Track lights		
Carpeted floor		
Storage racks		

NOTE: Requirements are based on author's gallery studies, see chapter 3.

FIGURE 6-5

GENERAL BUSINESS EQUIPMENT, ASSET, REQUIREMENTS

Priority	Item	Qty	Cost	Acquisition Date
A	Cash register		800	81
A	Large safe		1200	81
	Typewriter		220	AQ
	Calculators	3	175	AQ
A	Ledgers/books	3	90	81
A	Letterhead/envelopes		350	81
	Cards (stationary)		280	AQ
	Office supplies		100	AQ
	Desk		180	AQ

NOTE: Requirements established in chapter 2 and as presented in this study.

FIGURE 6-6

stone assets are of the first priority since they are viable businesses presently helping to finance the gallery. The general business assets,

such as a safe and cash register, and ranked second because they directly support the art and gem sales. The framing business was considered third as it naturally supports the art sales. The gallery furnishings and basic inventories are ranked last because the gallery would not be built until 1989 and inventories would eventually become outdated. Also, storage is a problem until the gallery is finished. However, in cases where gallery assets are of high priority, such as a vault, a purchasing fund would be established so money would be available for these purchases when the gallery opens. Though the money would be invested, this methodical plan for asset acquisition allows the manager to gage whether he/she is financially on schedule.

After the areas were prioritized in a general manner, each was numbered in order 1 through 58 (Figure 6-7a). Target purchase dates were established based on available funds. Only a limited amount of assets would be financed because most financing funds would be invested for the main building. Some items identified as assets are also being used as investments to finance the gallery. These are identified as "I" and are actively purchased, collected, or traded for, on a continuing basis. All inventories are estimated and are based on the market analysis, the expected demand, and the inventory requirements of like-businesses in the area. Inventories are constantly evolving; however, the goals listed are realistic and would accomplish the stated objectives.

Supplies were also listed as assets. Though these are expendable, the amounts listed would be adequate for the first year's production and demand. These levels are again similar to equivalent businesses.

Finally, life expectancy of the major assets are indicated (Figure 6-7). Most of the equipment would last 15 to 20 years. Depreciation cost

ASSETS AND INVENTORY ACQUISITION PLAN
AND EXPECTED LIFE OF ASSETS

Priority	Asset		Projected Price	Purchase Date		Actual Price	Assets Over \$100 Expected Life (Yrs)	Deprecia- tion/ Year	Projected Depreciation Date
				Sched.	Actual				
A 4	Artist Work Cabinet	A	230	81			60	3.83	41
A 5	Storage bin paints	A	60	81					
B 13	Air Brush	A	75	82					
B 12	Compressor	A/F	410	82			15	27.33	97
B 14	Swivel chair/stool	A	50	82					
A 2	Art table w/light	A	325	81			60	5.42	41
A 1	Fireproof waste	A	40	81					
A 11	36"x25" file cab.	A	220	81			60	3.66	41
B 25	Lithograph press	A	1200	82			50	24.00	32
D 43	Pottery kiln	A	1200	84			20	60.00	04
D 44	Potters wheel	A	380	84			10	38.00	94
D 41	Work tables (2) 48"x72"	A	120	84					
D 40	Studio easel/large	A	210	84			20	10.50	04
C 33	Casting Jewelry Equip	J	1300	83			20	6.50	03
C 34	Pickler	J	45	83					
A I	Silver & gold	I		81			NA		
C 35-1	Display cases (4) Lighted	J	800	83			60	13.33	43
B 15	Findings/settings	J	550	82			NA		
B 16	Jewelry Boxes/supplies	J	250	82			NA		
D 38	Wrapping supplies	J	60	84					
B 23	Microscope	J	1000	82			60	16.66	42
B 17	Dichroscope	J	20	82					
B 18	Polariscope	J	20	82					

FIGURE 6-7a

ASSETS AND INVENTORY ACQUISITION PLAN
AND EXPECTED LIFE OF ASSETS (Cont'd)

Priority	Asset		Projected Price	Purchase Date		Actual Price	Assets Over \$100 Expected Life (Yrs)	Deprecia- tion/ Year	Projected Depreciation Date
				Sched.	Actual				
A 6	Refractometer	J	200	81			20	10.00	01
B 24	Test equipment	J	200	82			20	10.00	02
B 19	Gem scale	J	90AQ		81	49.00			
B 20	Mounting boxes supplies	J	100	82			NA		
A 3	Ultrasonic Cleaner	J	280	81			10	28.00	01
B 22	Rock Trimmer	J	60	82					
D 39	Overhead Lamps (4)	J	160	84					
C 26	Tumbler Vibra Sonic	J	200	83			5	40.00	88
D 35-2	Gem Display cases (2)	J	240	84					
D 35-3	Ring Cases (7)	J	140	84					
A 9	Cash Register	B	800	81			20	40.00	01
A 10	Safe	B	1200	81			60	20.00	41
A 8	Ledgers/books	B	90	81					
A 7	Letterhead/cards	B	350	81			NA		
C 37	Saw/chopper	F	1200	83			30	40.00	13
C 36	Frame vises	F	325	83			30	10.66	13
D 42	Work tables (2) 48"x72"	F	240	84			60	4.00	44
C 30	Staple Gun (air)	F	92	83					
C 30	Tacker	F	105	83			5	21.00	88
C 32	Dry Mount Press	F	1070	83			15	71.33	98
C 31	Card & Glass Cutters	F	370	83			30	12.33	13
C 28	Mat Cutter 90°	F	100	83			40	2.50	23
C 29	Mat Cutter 45°	F	470	83			40	11.75	23

FIGURE 6-7a

ASSETS AND INVENTORY ACQUISITION PLAN
AND EXPECTED LIFE OF ASSETS (Cont'd)

Priority	Asset		Projected Price	Purchase Date		Actual Price	Assets Over \$100 Expected Life (yrs)	Deprecia- tion/ Year	Projected Depreciation Date
				Sched.	Actual				
D 47	Glass	F	180	84			NA		
D 46	Mats	J	1575	84			NA		
D 45	Molding	F	5750	84					
B 21-1	Expendable Supplies/ tools	F	250	82			NA		
B 21-2	Premade frames	F	2177	82			NA		
G 50	Gallery table/chairs	G	400	89			20	20.00 09	
G 51	Benches (8)	G	320	89			20	16.00 09	
G 53	Plants/decoration	G	100	89			5	20.00 94	
E 52	Hangers/wire	G	40	85			NA		
E 49	Ledger/guest book	G	20	85					
E 48	First Art Supplies	S	8251	85			NA		
F 54	Second Art Supplies Inv	S	7746	87			NA		
E 58	Premade Frames 2nd order	F	2000	85			NA		
F 55	Molding 2nd order	F	5750	87			NA		
F 57	Molding 3rd order	F	2000	89			NA		
F 56	Mats 2nd order	F	1575	87			NA		
G 59	Third Art supplies Inv	S	4901	89			NA		
A I	Gems Sapphire	I		81			NA		
A I	Ruby	I		81			NA		
A I	Emerald	I		81			NA		
	Total < \$100 items ^a		1921				20	96.00 01	
							TOTAL	934.10	

FIGURE 6-7a

ASSETS AND INVENTORY ACQUISITION PLAN
AND EXPECTED LIFE OF ASSETS (Cont'd)

Priority	Asset	Projected Price	Purchase Date		Actual Price	Assets Over \$100 Expected Life (yrs)	Deprecia- tion/ Year	Projected Depreciation Date
			Sched.	Actual				
A	Building Phase I	G 105350	84			50	2107.00	34
A	Building Phase II	G 75250	89			50	1505.00	39

^aAdds all items < \$100 in value and, based on a 20-year life, depreciates them at \$96 per year. This results in a total expected depreciation cost for all assets.

NOTE: Letters behind each asset are representative of the following:

A = Art Studio

J = Gems (jewelry)

B = General Business

F = Frame shop

C = Consignment Sales

G = Gallery

S = Supply Sales

I = Investment

FIGURE 6-7a

CURRENT ASSETS OWNED

Assets		Purchase Price	Date Purchased	Assets Over \$100 Expected Life	Depreciation/Year	Year Fully Depreciated
Studio easel	A	175	75	20	8.75	95
Studio chair	A	20				
Desk lamps	A	80				
Paint stand	A	25				
Storage shelves (5)	A	150				
File Cabinets (2)	A	260	80	60	4.33	40
Frames	A	320		NA		
Artist Supplies	A	1200		NA		
Display Materials	A	35				
Pencil sharpener	A	30				
Saw 18"	J	400	76	5	80.00	81
Grinding Unit	J	450	74	20	22.50	94
Supplies Cabachon	J	240		NA		
Casting wax patterns	J	70		NA		
Saw 8"	J	100	74	20	5.00	94
Prismatic head	J	450	74	20	22.50	94
base	J	550	74	20	27.50	94
Laps	J	700	74	15	46.66	89
Supplies facet	J	75		NA		

FIGURE 6-7b

CURRENT ASSETS OWNED (Cont'd)

Assets		Purchase Price	Date Purchased	Assets Over \$100 Expected Life	Depreciation/Year	Year Fully Depreciated
Tools facet	J	100	74	60	1.65	34
Storage trays	J	50				
Competition cases	J	130	76	60	2.16	36
Tools jewelry setting	J	50				
Ultraviolet light	J	90				
Mineral tools	J	180	76	60	3.00	36
Books	J	600	78	20	3.00	98
Typewriter	B	220	77	20	11.00	97
Adding Machine	B	175	75	20	8.75	95
Office supplies	B	100		NA		
Desk	B	180	80	40	4.50	20
Ladder	G	50				
Total \$100 items ^a		580		20	29.00	
					TOTAL 280.30	

^aAdds all items < \$100 and, based on a 20-year life, depreciates them.

NOTE: Letters behind each asset represent the following: A = Art Studio J = Gems (jewelry)
 B = General Business G = Gallery

FIGURE 6-7b

estimates are based on life expectancy and projected costs. As Figure 6-8 shows, equipment and asset depreciation costs would be about \$1,000 a year; building depreciation would be another \$3,500, for a total cost of \$4,500.

PROJECTED TOTAL DEPRECIATION COSTS PER YEAR

Year	Assets	Building I	Building II	Total
1981	280			280
82	360			360
83	589			589
84	763	2,107		2,870
85	830	2,107		2,937
86	855	2,107		2,962
87	870	2,107		2,977
88	878	2,107		2,985
89	934	2,107	1,505	4,546
90	934	2,107	1,505	4,546
91	934	2,107	1,505	4,546
92	934	2,107	1,505	4,546

NOTE: These projected costs are also presented in Figure 6-7.

FIGURE 6-8

Building Start-Up and Operating Costs

As chapter 3 indicated, the total estimated cost for the structure is \$175,000. The land price is excluded because the land has already been purchased; however, solar heat exchangers and the landscape plan would add an additional \$10,000. These costs are broken down to square feet and allocated to floor area accordingly in Figure 6-9.

The cost of the common area is further allocated to the profit centers in Figure 6-10. The percentages also serve as the basis for allocating certain expenses and analyzing financial return for profit centers.

BUILDING COSTS ALLOCATED TO BUILDING AREAS

<u>% Total</u>	<u>Area</u>	<u>Square Feet</u>	<u>Cost</u>
<u>Phase I</u>			
.085	Frame shop	210	8,320
.17	Art supplies (including hall)	415	16,640
.1	Sub-shop 1 (photo) (incl dark room/hall)	245	9,800
.083	Sub-shop 2 (jewelry) (incl hall)	200	8,120
.083	Sub-shop 3 (sculpture) (incl hall)	200	8,120
.14	Studio	335	13,700
.15	Storage	370	14,700
.19	Common Area (latrines, other halls)	475	18,600
	TOTAL PHASE I	2,450	98,000
<u>Phase II</u>			
.382	Gallery, 1st Floor	670	29,490
.382	2nd Floor	670	29,490
.154	3rd Floor	270	11,860
.08	Storage	140	6,160
	TOTAL PHASE II	1,750	77,000

FIGURE 6-9

BUILDING COSTS ALLOCATED TO PROFIT CENTERS

<u>% Total</u>	<u>Center</u>	<u>Square Feet</u>	<u>Cost</u>
.38	Author's paintings ^a	1,600	66,500
.11	Frame shop ^b	450	19,250
.115	Artist Supplies ^c	485	20,125
.10	Sub-Shop 1 ^d	425	17,500
.09	Sub-Shop 2	380	15,750
.09	Sub-Shop 3	380	15,750
.115	Consignment sales ^e	480	20,125
		4,200	175,000
(.10)	Sub-Shop 4 ^f	(425)	(17,500)

^aDetermined by adding 2nd and 3rd gallery floor, plus studio, 1/2 storage space, plus 1/7 common area.

FIGURE 6-10

BUILDING COSTS ALLOCATED TO PROFIT CENTERS (Cont'd)

^b Frame shop, plus 1/7 common area, plus 1/5 artist supply sales room, plus 1/6 storage area.

^c Artist supply area, less 1/5 for frames, plus 1/7 common area plus 1/6 storage area.

^d Sub-shop area, plus 1/7 common area, plus 1/6 first floor gallery.

^e One half 1st floor gallery, plus 1/7 common area, plus gallery storage.

^f Prior to 1994, the studio would be partially partitioned off and rented. The cost would be subtracted from the author's paintings.

NOTE: Costs allocated by using average square foot cost for total building as all profit centers would use the gallery.

FIGURE 6-10

Other operating expenses and costs which accrue in 1985 and later are broken down in Figure 6-11. These are based on costs for like-businesses in the McCall area.

EXPECTED ANNUAL OPERATING EXPENSES

Water/Sewer ^a	360
Heat (electric) ^b	400
Electricity ^c	1,100
Telephone ^d	360
Repairs and maintenance ^e	600
Insurance ^f	1,000
Taxes ^g	750
Legal ^d	100
Accounting ^d	200
Postage (in addition to advertising) ^d	175
Licenses ^d	30

Figure 6-11

EXPECTED ANNUAL OPERATING EXPENSES (Cont'd)

^aAllocated on 1/5 basis. 1981 fixed rate was \$25/mo.

^bAllocated on square foot basis. Estimate based on chapter 3 energy measures. Back-up system only.

^cCost determined for gallery, sales areas, and studio only. Sub-shops are separately metered. Based on like-structure, 1981 requirements at 6.2¢/KWH.

^dAs per sub-shop requirements, paid by each.

^eEstimated costs for supplies. Labor and depreciation not included. Allocated on square foot basis.

^fPaid by E-da-how. All State estimates for like-structure. Does not include insurance for sub-shop inventories. Estimate includes E-da-how inventory.

^gPaid by E-da-how. Based on 1981 tax rate at .375/\$100 of market value.

FIGURE 6-11

As indicated in Figure 6-11, some costs are shared by the sub-shops and are referred to as common area fees. Based on square footage, Figure 6-12a allocates these expenses to the various sub-shops. Costs directly applicable to E-da-how profit centers that will be incurred in 1985 and on are listed in Figure 6-12b. As with other monetary references in this thesis, costs would increase as inflation continues. Such calculations would be made each year and costs adjusted accordingly.

Until 1990 when the second phase of the building is completed operating costs would be less. Estimates based on proportionately less space or service are listed in Figure 6-13.

The final set of figures (Figure 6-14) in this section compiles all costs into a year-by-year schedule. After 1990 no additional major lines of inventory or building additions are anticipated; therefore costs

remain "fixed." Of course, costs are variable in the long run and inflation causes them to increase. However, just as revenues have not been calculated at an inflation rate, neither have costs. Based on this, they would be analyzed each year and adjusted; otherwise operating expenses appear low.

ANNUAL COMMON AREA OPERATING EXPENSES
ALLOCATED TO PROFIT CENTERS

	Sq '	Percent Area	Water	Heat	Elec	MX	Total Year	Per Month
Sub-Shop 1	425	.101	72	40	--	60	172	14.33
Sub-Shop 2	380	.091	72	37	--	55	164	13.66
Sub-Shop 3	380	.091	72	37	--	55	164	13.66
Sub-Shop 4 ^a	425	.101	(72)	(40)	(136)	(60)	(308)	25.66
E-da-how Profit Centers:								
Frame Shop	450	.107	72	42	165	64	343	28.58
Author's Paintings	1,600	.381	72	152	583	230	1,037	86.42
Consignments	480	.114	--	46	176	68	290	24.16
Artist Supplies	485	.115	--	46	176	68	290	24.16

^aUntil 1994, half the studio will be rented as a sub-shop and expenses will also be allocated to this shop (shown in parenthesis).

FIGURE 6-12a

E-DA-HOW PROFIT CENTERS OPERATING COSTS

	Author's Paintings	Consignments	Frame Shop	Art Supplies	Total
Water	36	36	36	36	144
Heat	152	46	42	46	286
Electricity	583	176	165	176	1,100
Maintenance	230	68	64	68	430

FIGURE 6-12b

E-DA-HOW PROFIT CENTERS OPERATING COSTS (Cont'd)

	Author's Paintings	Consign- ments	Frame Shop	Art Supplies	Total
Insurance	250	250	250	250	1,000
Telephone	90	90	90	90	360
Taxes	188	188	187	187	750
Legal	25	25	25	25	100
Accounting	50	50	50	50	200
Postage	85	30	30	30	175
Licenses	<u>8</u>	<u>8</u>	<u>7</u>	<u>7</u>	<u>30</u>
	1,697	967	946	965	4,575

FIGURE 6-12b

EXPECTED ANNUAL OPERATING EXPENSES
1985 to 1990

*Water	145
**Heat	55
Electricity	480
**Maintenance	170
Insurance	500
Telephone	300
Taxes	380
Legal	100
Accounting	200
Postage	100
Licenses	<u>30</u>
	2,460

*Allocated based on 1/5

**Allocated based on square footage

FIGURE 6-13

TOTAL COSTS PER YEAR

<u>1981</u>	<u>Costs</u>
Assets Priority A (Fig 6-7)	3795
Depreciation (Fig 6-8)	(282)

TOTAL COSTS PER YEAR (Cont'd)

<u>1982</u>	<u>Costs</u>
Assets Priority B (Fig 6-7)	6112
Depreciation (Fig 6-8)	(360)
<u>1983</u>	
Assets Priority C (Fig 6-7)	6077
Depreciation	(589)
<u>1984</u>	
Assets Priority D (Fig 6-7)	10255
Building, Phase I	98000
Landscaping and energy measures	10000
Total	<u>118,255</u>
Depreciation	(2,870)
<u>1985</u>	
Assets Priority E (Fig 6-7)	10310
Salaries (Fig 4-12)	10950
Advertising (Fig 5-32b)	2680
OP expenses (Fig 6-13)	2460
Total	<u>26,400</u>
Depreciation	(2,937)
<u>1986</u>	
Salaries	11300
Advertising	2730
OP expenses	2460
Total	<u>16,490</u>
Depreciation	(2,962)
<u>1987</u>	
Assets Priority F (Fig 6-7)	15070
Salaries	11750
Advertising	2780
OP expenses	2460
Total	<u>32,060</u>
Depreciation	(2,977)
<u>1988</u>	
Salaries	12260
Advertising	2830
OP expenses	2460
Total	<u>17,550</u>
Depreciation	(2,985)

FIGURE 6-14

TOTAL COSTS PER YEAR (Cont'd)

	<u>1989</u>	<u>Costs</u>
Building, Phase II		77000
Assets Priority G (Fig 6-7)		7720
Salaries		15610
Advertising		2930
OP expenses		<u>2460</u>
	Total	105,720
Depreciation		(4,564)
	<u>1990</u>	
Salaries		16020
Advertising		3030
OP expenses		<u>4575</u>
	Total	23,625
Depreciation		(4,564)
	<u>1991</u>	
Salaries		16780
Advertising		3330
OP expenses		<u>4575</u>
	Total	24,685
Depreciation		(4,564)
	<u>1992</u>	
Salaries		21240
Advertising		3330
OP expenses		<u>4575</u>
	Total	29,145
Depreciation		(4,564)
	<u>1993</u>	
Salaries		21300
Advertising		3330
OP expenses		<u>4575</u>
	Total	29,205
Depreciation		(4,564)
	<u>1994</u>	
Salaries		24100
Advertising		3300
OP expenses		<u>4575</u>
	Total	32,005
Depreciation		(4,564)

FIGURE 6-14

TOTAL COSTS PER YEAR (Cont'd)

	<u>1995</u>	<u>Costs</u>
Salaries		26280
Advertising		3300
OP expenses		4575
	Total	<u>34,185</u>
Depreciation		(4,564)

FIGURE 6-14

2. Financing Plan

Investments and means for financing the venture are addressed below. Total building costs and start-up inventory costs are \$134,240¹ for Phase I which ends when the venture opens in early 1985. The second phase building and expanded inventory costs, excluding operating and advertising costs, are an additional \$99,792 by the end of 1989.² This section outlines proposed methods for financing this plan.

Financing Options

E-da-how's financing plan is based on the author's ability to maintain current investments and to increase discretionary income. The discretionary income which is actual cash available each year is listed in Part A of Figure 6-15. In addition, Part B shows current and projected actual cash values of investments and their expected worth. Finally Part C lists several disposable assets--assets which can be liquidated to help generate cash.

It should be pointed out that the growth of these investments does not compensate for inflation. Instead the percentage growth is real annual

¹Determined by adding Figure 6-14 costs up to 1985, and 1989. Does not include depreciation.

²Ibid.

SOURCES OF FUNDS

<u>Part A</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
A Paintings	2486	2762	3125	4197
COGS ^a	1024	780	845	1015
	<u>1462</u>	<u>1982</u>	<u>2280</u>	<u>3182</u>
B Gems (jewelry) profits	400	445	495	550
C Personal Discretionary Income after investments and living expenses	<u>3000</u>	<u>3880</u>	<u>4074</u>	<u>6407</u>
Total Discretionary Funds	4862	6307	6849	10139
<u>Part B</u>				
D Investment (cash value)	4830	6307	6849	10139
At expected 12% return	5664	9046	12856	17150
E Investment (cash value)	3410	4830	7350	9870
At expected 12% return	2663	5664	9046	12856
F Gem Stones (liquidation value)	50000	60000	70000	80000
<u>Part C</u>				
G Disposable Assets				
Coin collection 6%	11000	11660	12360	13101
Stamp collection 3%	1300	1340	1380	1420
Land 20 acres 3%	42000	43260	44558	45894
<u>Part A</u>				
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
A Paintings ^b	4926	6559	7222	7500
COGS	708	858	867	835
	(4218)	(5701)	(6355)	(6665)
B Gems, jewelry	605	675	750	830
C Personal Discretionary Income after investments	<u>6755</u>	<u>8313</u>	<u>8728</u>	<u>9888</u>
Total Discretionary Funds	7360	8988	9478	10718
<u>Part B</u>				
D Investment (cash value)	2520 ^c	5040	7560	10080
Expected return	2663	5664	9046	12856
E Investment (cash value)	12390	14910	17430	19950
Expected return	17150	21989	27442	33584
F Gem stones (liquidation value)	00 ^c	2000	4000	6000
<u>Part C</u>				
G Disposable assets				
Coin collection 6%	(13887) ^d	(14720)	(15603)	(16540)
Stamp collection 3%	(1463)	(1507)	(1552)	(1599)
Land 20 acres 3%	47217	48689	50150	51654

SOURCES OF FUNDS (Cont'd)

<u>Part A</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
A Paintings	8210	11040	12825	14679
COGS	845	1022	1034	1144
	(7365)	(10017)	(11791)	(13535)
B Gems, jewelry	921	1023	1135	1260
C Personal Discretionary Income after investments	<u>10098</u>	<u>14024</u>	<u>14257</u>	<u>16279</u>
Total Discretionary Funds	11019	15047	15159	17539
<u>Part B</u>				
D Investment (cash value)	00 ^e	2520	5040	7560
E Investments (absolute value)	17297 ^f	19817	22337	24857
	27440	33580	40500	48300
F Gem Stones (liquidation value)	10000	12000	14000	16000
<u>Part C</u>				
G Disposable Assets				
Coin collection 6%	00			
Stamp collection 3%				
Land 20 acres 3%	53204	54800	56444	58137

^aBased on Figure 5-14. The author must obtain wholesale prices. In 1982 COGS will reflect this.

^bBeginning in 1985 paintings sales are considered under profit centers for the gallery.

^cDecreased to finance gallery.

^dValue if not liquidated.

^eLiquidated 12,600 to finance building Phase II.

^fLiquidated 5173 to finance building Phase II.

FIGURE 6-15

growth. It is expected these investments would also increase at an additional rate equal to that of inflation. The source of these funds and the methods for accumulating these values are explained by item below.

Paintings (A)

These figures are taken from Figure 5-4 and Figure 5-5. In 1985 and on, paintings are listed under "Revenues Per Year from Profit Centers" which is Figure 6-17. Until 1985 the profit returned from painting sales will be used along with the other listed disposable income, item B and item C, to purchase listed assets and inventory in Figure 6-7. The cost of goods for paintings is based on Figure 5-14. Though inflation will drive this cost up, hopefully, as planned, the paintings will also increase at the same rate, plus their targeted price increases.

Gems and Jewelry (B)

Though this area has not been treated extensively elsewhere, the author currently sells a significant number of finished jewelry items each year. The revenues shown are based on historical sales and a projected increase of 11% annually. This increase is possible simply by marketing more already finished jewelry pieces. Item F treats gems more extensively as they are one of the primary means of financing the gallery. Item B is generally incidental sales in conjunction with art sales at mall shows. Currently gems are not actively marketed.

Personal Discretionary Income (C)

These figures are based on projected income for an Air Force officer with normal progression in rank and increases in pay for longevity.¹ These figures do not reflect any other increase per year such as pay raises. Often the pay raise compensates for inflation, thus there is no real growth. These figures also reflect discretionary income after planned investments are made and day-to-day living expenses are met. These living expenses include housing, food, utilities, clothing, insurance, and other savings

¹Air Force Officer Pay Guide, 1980.

investments for school and raising a family. This investment money is in a separate account from family savings though it could be used for an emergency. In this event, depending on the severity, the venture's financing plan may need to be reexamined. This discretionary income also does not reflect the income of the author's spouse.

Mutual Funds (D and E)

Items D and E are two Fidelity Destiny mutual funds set up to finance the gallery. Actual funds invested are listed above the expected value. It should be noted that once front-end payments have been made in the mutual funds, the fund can be 90% liquidated and then replenished at no penalty. From analyzing Figure 6-12b, it would be beneficial to wait somewhat longer before beginning the building.

Gem Stones (F)

As indicated gem investments are also being used to raise funds for the gallery. This is not an orthodox manner for raising funds so, in addition to explaining the aspects, this section will explain how the program works.

As indicated above, E-da-how would lease a sub-shop to a silversmith. This individual would be a potential market for finished gems which the author creates. In addition, as evidenced in the acquisition plan, the author would have necessary equipment to expand his artistic talents into silversmithing which would also incorporate gems. Though this may compete with the sub-shop directly, the author would only create a few pieces yearly. In a sense, manufacturing jewelry and cutting gems will remain a hobby as it has in the past. It will basically expand the author's art into another media--gems, silver and gold. Item B indicates the continuing revenues from these gem creations.

The main purpose for gem investing is for financing capital. As the author has collected gems for about 14 years, he has been able not only to amass a good investment, but to trade stones he's collected in the field for others of better investment potential such as rubies and emeralds which are not easily available in the United States.

The author has been able to do well in the gem market due to his gem-stone knowledge. He's learned about gems through a reading program similar to his art history program. In addition he has written articles, given talks, and taught some geology and gemology.

Furthermore, through his research he has been able to uncover two gem deposits of fair economic value, both near McCall, Idaho. One location produces orange hessonite garnets; the second, gem quality black star sapphires. In addition, he spends substantial leave time hunting gem stones. These hunts have been targeted at valuable mineral specimens and rare gem stones. For example, while in Montana the author collected 3,000 carats of top quality Montana sapphires which wholesale at \$3 to \$4 a carat. He also collected about 200 carats of Yogo Sapphire, an exceedingly rare type of sapphire, which wholesales at \$100 a carat for small stones and \$1000 for stones over 1.5 carats.¹

In addition to field collecting trips the author carefully invests in gems and minerals. In this respect he concentrates on rare gem stones of larger sizes of over \$50 because these specimens appreciate the most. For example, a gold mineral specimen which sold for \$125 in 1974 may sell for \$400 or \$500 today. Whereas a \$1, 1974 specimen may only sell for \$1.50 today. Rarity also enhances the value, as do such qualities as color,

¹Gary French, interview at Sutherland Jewelry, Great Falls, Montana, March 1982.

crystal terminations, balance, etc. The overall formula is rather complex as it is for most collectibles. The main idea here is that one can amass a valuable collection using very little capital.

Another factor which causes the value of gemstones to be greatly enhanced is the manner in which they are finished or prepared for jewelry. For example, it is possible to purchase a 5-carat aquamarine for \$45. After fashioning, it may bring wholesale, \$100-\$150 a carat. Of course, the yield of a 5-carat piece of rough is considerably less, usually 1.5 carats. This still represents an average \$100 plus return after labor and operating expenses.

This material has been presented to support the value listed in item F. As indicated, gems will yield, at liquidation prices, \$80,000 in 1984. Presently they could be liquidated at \$50,000. The \$30,000 growth in the next 3 years would be due to recovering more gemstones and not due primarily to increasing values, though the latter is certainly occurring. The liquidation value is that which the seller could get if the stones were sold to a wholeseller. However, if gems can be carefully sold and marketed this value could be much greater. Examples of these gems are listed in Figure 6-16.

PARTIAL LISTING OF GEMSTONE ASSETS

<u>Facet Grade</u>	<u>Quantity</u>	<u>Liquidation Value</u>
Citrine/Smokey quarts	10,000 cts	400
Aquamarine, Colorado	1,000 cts	1000
Tourmaline, Brazil	2,000 cts	1000
Emerald, Columbia	500 cts	17,500

FIGURE 6-16

PARTIAL LISTING OF GEMSTONE ASSETS (Cont'd)

<u>Cabochon Grade</u>	<u>Quantity</u>	<u>Liquidation Value</u>
Opal, Idaho	400 lbs.	4,000
Star Sapphire, small, Idaho	30 lbs.	800
Star Garnet, Idaho	40 lbs.	780
Slabs (cut)	200 lbs.	260
<u>Mineral Specimens</u>		
Gold minerals, small	24 specimens	1,200
24 @ \$20 apiece		480
16 @ \$40 apiece		640
<u>Finished Stones</u>		
Opal	150 stones	<u>2,450</u>
		Total 50,000+

NOTE: All prices are liquidation prices. They do not reflect cutting value which can increase a stone's value by over 100%.
The TOTAL includes miscellaneous gems not listed.

FIGURE 6-16

Disposable Assets (G)

Two items, coins and stamps, are early investments. Again, prices reflect liquidation prices and represent a source of cash if needed. Twenty acres of recreation land could also be sold if additional cash is needed to finance the gallery. Currently this land represents land intended for a summer home and not E-da-how's site.

There are other assets which are personal assets and are not intended to be sold. These assets are family assets and though would indicate better leverage, are not listed for personal reasons. Based on Figure 6-15, however, the author's net worth can be partially determined.

For personal reasons this is not itemized; it is within \$150,000 to \$200,000.

Overall, the venture would be financed primarily from internal sources. Since the gallery would be built in 1990, funds are grossed now for purposes of rapid growth to be liquidated to purchase the building outright. In many business cases the business is established with a loan and the debt is then paid off. E-da-how differs in this major aspect.

Other Financing Options

The expected profits from E-da-how are identified in the next section. They are not considered good returns on investment until about 1990. Without outright financing, E-da-how would not be a good supportable business venture until about 1990 and should probably not be attempted. For this reason, the market potential identified earlier presently exists. E-da-how would not be financially attractive until 1990. Thus a similar venture would probably not be begun until this time frame. Part of E-da-how's success then rests on the ability to be established ahead of its time--a time when it can prevent future competition and a time at which it can grow with, and help develop, its market area.

Outside financing is currently not feasible. The returns from the venture would not be sufficient to retire any large debt until after 1990. For example, if the venture qualified for a \$75,000 loan at 12%, the debt retirement would amount to about \$10,800 a year. These payments would not be offset by revenues until after 1990. Other financing possibilities exist. For example, the expected life return for rent on a sub-shop would be calculated. Rent for sub-shop 1 would amount to \$75,000 over 30 years. The sub-shop could be sold outright in 1985 for, say, \$30,000 and other future revenues could be forfeited for the advantage

of this immediate cash.

Co-owners have also been considered and are the most likely alternative financing method if the intended plan cannot be followed. In this case one or more investors would be approached (including the manager) for capital to finance the artist supply shop, the frame shop, two-thirds of the gallery, and the sub-shops. In this respect, the investors would share a percentage of net profit on profit centers, other than the author's paintings, equivalent to their percentage invested. In this case the venture would incorporate.

Presently there are no alternate forms of financing which would more greatly benefit the author. Others' capital would offset personal financial risk and allow investments elsewhere, but this is not a major concern of the author.

3. Forecasted Return on Investment

From 1985 and on, E-da-how will be a going concern. To show the return from this venture, all previous sales forecasts and costs of goods for each profit center are compiled in Figure 6-17. Expected revenues or profits before operating expenses are then presented. Following this, projected profits or losses are shown in Figure 6-18 by reducing Figure 6-17 revenues by the operating costs and financing costs.

As seen in Figure 6-18, all annual revenues were matched with expected annual costs and were presented in the form of projected statements of income and losses up to 1994. After roughly 5 years' returns, gross profits before taxes would be \$31,000. E-da-how would be a viable venture and would be potentially profitable. As illustrated, financing is intended to be entirely from internal sources and investments. This plan differs

REVENUES PER YEAR FOR PROFIT CENTERS

	1985	Total	1986	Total
Paintings (author's)	\$ 4926		\$ 6559	
COGS ^a (Figs 5-4, 5-5)	708		858	
		\$ 4218		\$ 5701
Frames (made) 40%	2120		2467	
COGS (.39) ^b (Fig 5-9)	827		962	
		1293		1505
Frames (Redi-made) 60%	2880		3283	
COGS (.5) ^c (Fig 5-9)	1440		1641	
		1440		1642
Artist Supply Sales	5000		6250	
COGS (.45) ^d (Fig 5-15)	2250		2812	
		2750		3438
Consignments ^e	23299		25628	
COGS (.7) (Fig 5-17)	17474		19221	
		5825		6407
Rent (Fig 5-22)		10440		10680
Total year's revenues After COGS		25966		29373
	1987	Total	1988	Total
Paintings	\$ 7222		\$ 7500	
COGS	867		835	
		\$ 6355		\$ 6665
Frames (made) 40%	2867		3334	
COGS (.39)	1118		1300	
		1749		2034
Frames (Redi-made) 60%	3743		4266	
COGS (.5)	1871		2133	
		1872		2133
Artist Supply Sales	7812		9765	
COGS (.45)	3515		4394	
		4297		5371
Consignment Sales	28191		31010	
COGS (.7)	21143		23258	
		7048		7752
Rent (Fig 5-22)		11040		11280
Total year's revenues After COGS		32361		35235

FIGURE 6-17

REVENUES PER YEAR FOR PROFIT CENTERS (Cont'd)

	1989	Total	1990	Total
Paintings	\$ 8210		\$ 11040	
COGS	845		1023	
		\$ 7365		\$ 10017
Frames (made) 40%	3886		4605	
COGS (.39)	1515		1796	
		2371		2809
Frames (Redi-made) 60%	4864		5445	
COGS (.5)	2432		2722	
		2432		2723
Artist Supply Sales	12207		15258	
COGS (.45)	5493		6866	
		6714		8392
Consignment Sales	32560		34188	
COGS (.75)	24420		25641	
		8140		8547
Rent (Fig 5-22)		11640		12120
Total Year's Revenues After COGS		38662		44608
	1991	Total	1992	Total
Paintings	\$ 12825		\$ 14679	
COGS	1034		1144	
		\$ 11791		\$ 13535
Frames (made) 40%	5239		6094	
COGS (.39)	2043		2377	
		3196		3717
Frames (Redi-made) 60%	6321		7206	
COGS (.5)	2359		3603	
		2359		3603
Artist Supply Sales	19073		23842	
COGS (.45)	8583		10729	
		10490		13113
Consignment Sales	35897		37692	
COGS (.75)	26923		28269	
		8974		9423
Rent (Fig 5-22)		12480		12840
Total Year's Revenues After COGS		49290		56231

FIGURE 6-17

REVENUES PER YEAR FOR PROFIT CENTERS (Cont'd)

	1993	Total	1994	Total
Paintings	\$ 16225		\$ 20937	
COGS	1156		1333	
		\$ 15069		\$ 19604
Frames (made) 40%	7085		8235	
COGS (.39)	2763		3211	
		4322		5024
Frames (Redi-made) 60%	8215		9365	
COGS (.5)	4107		4682	
		4108		4683
Artist Supply Sales	29802		32782	
COGS (.45)	13411		14752	
		16391		18030
Consignment Sales	39577		41556	
COGS (.75)	29682		31167	
		9895		10389
Rent (Fig 5-22)		13200		13560
Total Year's Revenues After COGS		62985		71290
	1995	Total	1996	Total
Paintings	\$ 20622		\$ 46209	
COGS	1225		2232	
		\$ 19397		\$ 43977
Frames (made) 40%	9524		11088	
COGS (.39)	3714		4324	
		5810		6764
Frames (Redi-made) 60%	10676		12172	
COGS (.5)	5338		6085	
		5338		6086
Artist Supply Sales	36060		39666	
COGS (.45)	16227		17850	
		19833		21816
Consignment Sales	43634		45812	
COGS (.75)	32725		34359	
		10909		11453
Rent (Fig 5-22)		10020		10140
Total Year's Revenues After COGS		71307		100236

^aPaintings COGS based on Figure 5-14.

^bPPFA Financial Digest, 1980, p. 8.

^cRoberts, interview, July 1981.

^dThe Art Market. This also reflects discounts to artists.

^eRepresents 25% commission.

FIGURE 6-17

PROJECTED PROFIT AND LOSS STATEMENT
E-DA-HOW ART TREASURES
1981-1994

<u>1981</u>		
Discretionary Funds (Fig 6-14)		\$ 4862
Priority A Assets (Fig 6-7a)	\$ 3795	<u>3795</u>
Gross Profit		<u>1067</u>
Depreciation (Fig 6-8)	280	<u>280</u>
Cash on hand		<u><u>787</u></u>
 <u>1982</u>		
Balance (1981)		787
Discretionary Funds		<u>6307</u>
Total Funds		<u>7094</u>
Priority B Assets	6112	<u>6112</u>
Gross Profit		<u>982</u>
Depr	360	<u>360</u>
Cash on hand		<u><u>622</u></u>
 <u>1983</u>		
Balance (1982)		622
Discretionary Funds		<u>6894</u>
Total Funds		<u>7516</u>
Priority C Assets	6077	<u>6077</u>
Gross Profit		<u>1439</u>
Depr	589	<u>589</u>
Cash on hand		<u><u>850</u></u>
 <u>1984</u>		
Balance (1983)		850
Discretionary Funds		<u>10139</u>
Total Funds		<u>10989</u>
Priority D Assets	10255	
Building Phase I (Fig 6-14)	98000	
Landscaping and Energy (Fig 6-14)	10000	
Depr	<u>2870</u>	
Total assets and costs		<u>121125</u>
Total to be financed		(110136)
 <u>1984 Financing</u>		
Mutual Funds I (Fig 6-15)		17150
Gemstones (Fig 6-15)		80000
Disposable Assets (Fig 6-15)		<u>14520</u>
Total Funds		<u>111670</u>
To be financed		(110136)
Cash on hand		<u><u>1534</u></u>

FIGURE 6-18

PROJECTED PROFIT AND LOSS STATEMENT
E-DA-HOW ART TREASURES
1981-1994 (Cont'd)

<u>1985</u>		
Gross Revenues (Fig 6-17)		\$ 25966
Salaries (Fig 6-14)	\$ 10950	
Advertising (Fig 6-14)	2680	
OP Expenses (Fig 6-14)	2460	
Depr (Fig 6-14)	<u>2937</u>	
Total costs		<u>19027</u>
Net Profit		6939
Balance (1984)		1534
Discretionary Funds		<u>7360</u>
Total Funds		15833
Priority E Assets	10310	<u>10310</u>
Cash on hand		<u><u>5523</u></u>
 <u>1986</u>		
Gross Revenues		29373
Salaries	11300	
Advertising	2730	
OP Expenses	2460	
Depr	<u>2962</u>	
Total costs		<u>19452</u>
Net Profit		9921
Balance (1985)		5523
Discretionary Funds		<u>8988</u>
Cash on hand		<u><u>24432</u></u>
 <u>1987</u>		
Gross Revenues		32360
Expenses	16990	
Depr	<u>2977</u>	
Total costs		<u>19967</u>
Net Profit		12393
Balance (1986)		24432
Discretionary Funds		<u>9478</u>
Total Funds		46303
Priority F Assets	15070	<u>15070</u>
Cash on hand		<u><u>31233</u></u>

FIGURE 6-18

PROJECTED PROFIT AND LOSS STATEMENT
E-DA-HOW ART TREASURES
1981-1994 (Cont'd)

1988

Gross Revenues		\$ 35235
Expenses	\$ 17550	
Depr	<u>2985</u>	
Total costs		<u>20535</u>
Net Profit		14700
Balance (1987)		31233
Discretionary Funds		<u>10718</u>
Cash on hand		<u><u>56651</u></u>

1989

Gross Revenues		38662
Expenses	21000	
Depr	<u>4564</u>	
Total costs		<u>25564</u>
Net Profit		13098
Balance (1988)		56651
Discretionary Funds		<u>11019</u>
Total Funds		<u>80768</u>
Assets Priority G	7720	
Building Phase II	<u>77000</u>	
Total assets		<u>84720</u>
Total to be financed		<u>(3952)</u>

1989 Financing

Mutual Fund I		3952
Total to be financed		<u>(3952)</u>
Cash on hand		<u>00</u>

1990

Gross Revenues		44608
Expenses	23625	
Depr	<u>4564</u>	
Total costs		<u>28189</u>
Net Profit		16419
Balance (1989)		00
Discretionary Funds		<u>15047</u>
Cash on hand		<u><u>31466</u></u>

FIGURE 6-18

PROJECTED PROFIT AND LOSS STATEMENT
E-DA-HOW ART TREASURES
1981-1994 (Cont'd)

<u>1991</u>		
Gross Revenues		\$ 49290
Expenses	\$ 24685	
Depr	<u>4564</u>	
Total costs		<u>29248</u>
Net Profit		<u>20042</u>
Balance (1990)		31466
Discretionary Funds		<u>15159</u>
Cash on hand		<u><u>66667</u></u>
<u>1992</u>		
Gross Revenues		56231
Expenses	29145	
Depr	<u>4564</u>	
Total costs		<u>33709</u>
Net Profit		<u>22522</u>
Balance (1991)		66667
Discretionary Funds		<u>17539</u>
Cash on hand		<u><u>106728</u></u>
<u>1993</u>		
Gross Revenues		62985
Expenses	29205	
Depr	<u>4564</u>	
Total costs		<u>33769</u>
Net Profit		<u>29216</u>
Balance (1992)		<u>106728</u>
Cash on hand		<u><u>135944</u></u>
<u>1994</u>		
Gross Revenues		71290
Expenses	32005	
Depr	<u>4564</u>	
Total costs		<u>36569</u>
Net Profit		<u>34721</u>
Balance (1993)		<u>135944</u>
Cash on hand		<u><u>170665</u></u>

FIGURE 6-18

from most ventures because the investments have been started a number of years ago and E-da-how need not be begun until capital assets are available. In this respect, no loans other than short term loans are anticipated. In cases in which costs are unexpectedly encountered or costs increase more greatly than projected or sales are depressed, back-up financing is available through those investments listed in Figure 6-15 which have not been used.

4. Summary

All the projections throughout the study have been compiled and presented in the form of income statements in this chapter. It should be clear that significant assets such as land and most studio equipment are on hand. A purchasing schedule for remaining assets was presented, and it shows these assets could be financed with discretionary personal income up to 1985.

In 1984, several current investments would be liquidated in order to build the first portion of the structure. This would be the most difficult segment to finance and is quite dependent on successful gemstone investments and their subsequent successful sale. However, if the venture requires substantial outside financing in terms of loans, this type of business in McCall, Idaho, is not considered financially feasible until the market is further developed.

Finally, the chapter has shown that revenues would exceed expenses and the venture would be profitable. This is entirely dependent on making the targeted sales and on keeping within the cost parameters established.

CHAPTER VII

SUMMARY AND CONCLUSIONS

Chapter 7 is not an attempt at summarizing each chapter because their main points have been emphasized throughout. Instead it will pick out major aspects of the chapters and comment briefly on the impact of the entire plan, with its strengths and weaknesses.

This study has attempted to analyze a unique aspect in terms of personal development as a marketable commodity--the development of artistic talents and the subsequent marketing of these talents in the form of finished paintings. Though the author is far from being a highly successful or nationally known artist, data in Chapter 2 indicate he is progressing well and can feasibly achieve this success, as indicated by his moderate success at juried shows.

The study also dealt with planning and building a completely new business from ground up and it gives useful guidelines in this respect. The building design itself and the building site were chosen to enhance art sales. The building was carefully based on other successful like ventures. Quite often limiting factors to successful galleries appear to be inadequate buildings and locations. This is usually due to limited funds. With the long term financing E-da-how has, it can avoid these problems and can become a nearly ideal art facility.

The study also presented a general view of the market climate and its

trends. As art is very dependent on a specific type of market it was vital to identify whether or not McCall offered such a market. It does, as was indicated by its large, though not permanent, population of higher income residents. McCall was shown to be ideal for these people because it now serves as a recreation center for leisure time activities. These activities naturally include arts, crafts, and the associated market. This trend also indicates there will probably be an increase in competitors because the potential returns are quite good. In this respect, E-da-how needs an early start in order to discourage competition. One very real detriment to potential competition though is the McCall winter and slack season. Whereas many small businesses go broke for lack of winter income because they cannot get sufficiently established financially during the short summer sales season, E-da-how would simply not plan on winter income (sales forecasts were presented by year). More importantly, E-da-how would not depend totally on sales to become successfully established. (Each year the author's discretionary income supplements sales.) While E-da-how would remain open during winter it would concentrate on producing art works at this time.

Another critical area for the venture is the reliability of the sales forecasts. As shown, the venture must meet these levels. Though returns could be somewhat lower, there is not a great deal of flexibility. As chapter 6 shows, the returns are not very large until 1990 and on. This is not critical though, because the author would have a stable income until at least 1994. In effect he has time to give the venture sufficient opportunity to establish a strong market and returns. As indicated, the gallery could be supported externally for a few years at a loss. However sales were figured rather low considering the market potential of the area.

It is expected these sales would be met relatively easily, thus the likelihood of success would be greater.

Another critical area is the ability to finance the venture. Based on present assets and projected growth there would be sufficient capital to purchase the building outright in 1984. This is rather necessary as the venture would not be able to retire loans until 1990. As pointed out, financing is occurring before the establishment of the venture. The gallery would not succeed if it was initially required to finance itself from its own profits.

The greatest drawback to the plan is uncertainty due to time. The plan has been developed with this in mind however, and each step would not need to progress until earlier steps were successful. (Up to 1990 this applies. Otherwise competitive advantages and market would be lost.) Because there is several years lead time, the plan has this flexibility.

Probably the two most significant assumptions were that the author could build a strong reputation and create sought-after works, and that the venture could be financed internally. At this point, both of these areas look good. Indeed since 1975 when the foundation studies were made for this venture, significant successes have accrued.

Perhaps the greatest strength of the plan is just that--it is a plan. It is a total personal development plan, a building construction plan, a population study and marketing plan, a retailing plan for several difficult products, an advertising plan, and a financing plan combined in a document which could be followed in an orderly manner to accomplish the overall objective--the establishment of E-da-how Art Treasures. This plan gives the direction, the motivation, and the inertia to succeed as do most business plans. In short, it encompasses the most essential part of a manager's

job--that of analyzing, setting objectives, and putting forth guidance to accomplish those objectives. In this respect, this study has accomplished its purpose.

APPENDIX 2-1

COMPARABLE ARTISTS
MONTGOMERY ART GUILD

- | | |
|-------------------------|-----------------------|
| 1. Barnes, Bill | 12. Hardeman, Nell |
| 2. Baucom, Margaret | 13. Harrison, Douglas |
| 3. Blackshear, Sue | 14. Keith, Walter |
| 4. Bozeman, Faye | 15. Keller, Helen |
| 5. Cohen, Myrtle | 16. Kelley, Virginia |
| 6. Crommelin, Priscilla | 17. Levy, Mary Lynne |
| 7. Crow, Ann | 18. McDonald, John |
| 8. Garst, Steve | 19. Moore, Gary |
| 9. Griggs, Julia Ann | 20. Sutherland, Bill |
| 10. Groves, Freda | 21. Thomas, Ed |
| 11. Gunter, Jim | 22. Turner, Jack |

APPENDIX 3-1

GALLERIES, STUDIOS, LIKE BUSINESSES

<u>Name/Location</u>	<u>Type</u>	<u>Strength/(weaknesses)</u>
<u>McCall, Idaho</u>		
S Antlier's Art Mart ^a	gallery, supplies	high vaulted ceiling
S Art Mart	gallery, supplies	split level
P Park's Gems	rock shop, jewelry	work space, set-up
S Humphrey's	jewelry	eye level cases, room
S Donna's Rocks	lapidary	work shop set up
<u>Boise, Idaho</u>		
P Boise Art Museum	gallery	modern, large rooms, track lights, comfort- able seating
S Boise Blue Print	art supplies	large selection
<u>Cody, Wyoming</u>		
P Whitney Gallery of Western Art	gallery	modern, high walls, good light, well kept
<u>Gunnison, Colorado</u>		
S The Treasure Chest	gems, minerals	artistic displays
S (Indian Art)	paintings	
S The Water Works	gifts, jewelry	natural displays
<u>Breckenridge, Colorado</u>		
S Breckenridge Gallery	gallery	track lights, separate room for each featured artist
<u>Central City, Colorado</u>		
S (Tall Building)	gallery	high ceilings, walls

APPENDIX 3-1
(Cont'd)

<u>Name/Location</u>	<u>Type</u>	<u>Strength/(weaknesses)</u>
<u>Colorado Springs, Colorado</u>		
S Green Mountain Rock Shop	jewelry, gems	museum type display cases
<u>St. Louis, Missouri</u>		
P St. Louis Art Museum	gallery	
<u>Washington D.C.</u>		
P Smithsonian Art	gallery	display cases waist level
P Natural History	minerals	and eye level, space for paintings, special sections
P National Portrait Gallery	gallery	same as above
P ()	sculpture	modern, open, space
<u>Chicago, Illinois</u>		
P Art Museum	gallery	(too dark! too cold!) (seems dead) rare paintings, magnificent building
Lizadro Lapidary Museum	gems, minerals	beautiful display cases, lighting
Michigan Avenue Galleries		
P (Antonio's)	gallery	split level floors sepa- rating artists, track lights, carpet, floor plan
S (Others)	galleries	split level floor plan
<u>Montgomery, Alabama</u>		
P Montgomery Museum of Fine Arts	gallery	split level, modern, ex- cellent lighting, high ceiling, movable walls, comfortable seats
P Ya-Neen Inter- national Jewelry	jewelry	cases well lighted, wall cases, ceiling lights, modern comfortable seats
P Binder's	art supplies, framing	good selection
S House of Frames	frame shop, gallery	(small) good framing equip- ment, frame benches

APPENDIX 3-1
(Cont'd)

<u>Name/Location</u>	<u>Type</u>	<u>Strengths/(weaknesses)</u>
<u>Great Falls, Montana</u>		
P C M Russell Museum	gallery	modern, split level, lights, floor plan, traffic flow
S Import Depot	arts/crafts	separation of businesses old decor
S Rainbow Art Gallery	frame shop, gallery art sales	1st location slanting display panels; 2nd location more room (bad location) frame shop is roomy
S Western Wrangler	restaurant, gallery	rotation of paintings
S Montana Lapidary (1st location)	gems, jewelry	large room
P Montana Lapidary (2nd location)	gems, jewelry	display cases, revolving floor plan simple, dis- play cases well lit, good height
P (Art Market)	art supplies	supplies broken out by manufacturer, large selection, carpeted, new, roomy
S Glass Art Shop	supplies, framing	natural display, (too small)
<u>Solvang, California</u>		
S Whittier	gallery	split level
P (Business offices)	gallery	split level, modern, nice sculpture and plant decorating, window dis- play, water fountain, good space
S Red Wood Mall	gallery	wall space

^aAntlier's Art Mart is now the Art Mart.

NOTE: P = primarily designed for current functions

S = second hand building

() = either bad qualities or name that is not certain

APPENDIX 4-1

VISITS AND BUSINESS INTERVIEWS
McCall Area
1974-1980

Karen and Maury Ainger, Owners of The Art Mart, June 80.
Don Boos, Manager Shaver's Department Store, June 78.
Johnnie Boydston, Manager Brundage Mountain Ski Area, December 78.
Rex Campbell, Owner McCall Jeweler, June 74, 76, 79.
William H. Dorris, President McCall Air Taxi, June 76-80.
Dan De Francisco, Owner Dan's Saddlery, June 76, 78, 80.
David Engen, Engen Real Estate, December 78.
Jim Freeman, Architect, June 74, 76-77.
Randy Geddes, All American Realty, June 76, 78; December 78.
Quinton Gregory, Idaho Artist, June 73, 74, 78.
Carl Goodwin, McCall-Donnelly Art Instructor, June 70, 77.
Randy Hart, Contractor and Construction Worker, June 78.
Ruth Hamell, McCall Area Artist, June 74, 78.
Lomie Helmich, McCall Area Artist, December 74, June 78.
Wallace Hendrickson, Owner Donna's Rocks, June 74-78, 80; December 74, 81.
Jim Heckathorn, Owner Jim's Rocks, June 74; December 74; June 76, 77.
Mike Jager, Lake Tahoe Architect (working in McCall), June 76-78.
Roman Klott, Payette Lake's Lumber Co., June 73, 74, 76; December 78.
Shula Lord, All American Realty, June 76, 78, 79.

APPENDIX 4-1
(Cont'd)

VISITS AND BUSINESS INTERVIEWS
McCall Area
1974-1980

Jim McCall, Owner KMCL Radio Station, July 81.

Don Fuller, Muller Agency Real Estate Agent, June 76, 78.

Don Medley, Owner Medley's Sports, November 78.

Ron Parks, Proprietor Parks Gems, June 74-76, 78.

Dewey Rowland, Owner Dewey's Ski Haus, December 78.

J. Salfen, Owner J. Salfen Bookseller, December 78.

John Seydel, Seydel Design and Construction Co., June 78.

Perc Shelton, Owner McCall Realty, June 73, 74, 78.

Velma Shoemaker, President McCall Area Chamber of Commerce, June 76, 79.

Dave Spielman, Owner (deceased) Dave's Grocery Store, 1967-70.

Heidi VanCleave, Star News Advertising Assistant, July 81.

Tom Zachary, McCall Planning and Zoning Board, June 78.

Owner, Art Mart, June 74, 76-78; December 78.

Owner, Humphrey's of McCall, June 77, 78; December 78.

Owner, Country Crafts, June 76; December 78.

APPENDIX 4-2

SELECTED PAINTINGS MARKET DATA

1976 Painting Data

	Title	Medium	Size	Price	Commission	Purchaser
76-1	The Prospectors	Oil	30x24	150	No	Larry Faith
2	Spring Comes Slow	Oil	24x18	150	No	Bob Wortheimer
3	Broken Circle by	Oil	48x30	250	Yes	Chuck Hancox

Purchaser Data

	Name	Age	Occupation	Approx Income	Reason Purchased
76-1	Lary Faith	34	Air Force	23,000	Outdoorsman; investment in artist
2	Bob Wortheimer	29	Rancher	32,000	Rancher, outdoorsman; investment in artist
3	Chuck Hancox	38	Part-time college teacher	12,000	To preserve personal hunting memories; investment in artist

1977 Painting Data

	Title	Medium	Size	Price	Commission	Purchaser
77-1	North of the Lake	Oil	24x18	85	No	Bill Ashley
2	Lonesome Night Drifter	Oil	24x18	80	No	Dr. Dale Sonderman

Purchaser Data

	Name	Age	Occupation	Approx Income	Reason Purchased
77-1	Bill Ashley	49	Fruit farmer	22,000	Investment in artist
2	Dr. Sonderman	52	Physician	60,000	Collects Western art; fits collection; best in show

APPENDIX 4-2
(Cont'd)

1978 Painting Data

	Title	Medium	Size	Price	Commission	Purchaser
78-1	Story of When the Bear Grass Blooms	Oil	42x34	500	No	Mel Sobolik Stu Nicholson
2	Autumn Elk	Oil	36x24	175	No	Cole Lovette
3	The Watchers	Oil	36x24 (300)		No	Pat Dorris

Purchaser Data

	Name	Age	Occupation	Approx Income	Reason Purchased
78-1	Mel Sobolik	44	Businessman	36,000	Liked scouting theme
	Stu Nicholson	42	Business Owner	48,000	Liked scouting theme
2	Cole Lovette	25	Air Force	15,000	Outdoorsman; investment in artist
3	Pat Dorris	23	Mountain Bell employee	12,000	Outdoorsman, hunter; investment in artist

1979 Painting Data

	Title	Medium	Size	Price	Commission	Purchaser
79-1	Cardboard Airplane	Oil	40x36	250	No	Jan Alford
2	Homestead and Snow	Oil	36x24	220	No	Dorothy McBride
3	Snow and White Tail	Oil	36x24	250	Yes	Ralph Passini
4	The Spruce Seep	Oil	36x24	275	No	Tom Pennington
5	Strange Visitors	Oil	36x24	230	No	Dennis Shoemaker
6	Panama City Beach	Oil	36x24	220	No	Joy Chambers
7	Eagle Over Ulm	Oil	30x24	170	No	Judy Meadows
8	Castle Peak	Oil	30x24	175	No	Susan Anderson

Purchaser Data

	Name	Age	Occupation	Approx Income	Reason Purchased
79-1	Jan Alford	40	Air Force	21,000	Portrait of children
2	Dorothy McBride	31	Air Force	22,000	Liked colors; investment in artist
3	Ralph Passini	35	Air Force	24,000	Memories of scene from childhood; Outdoorsman
4	Tom Pennington	29	Air Force	21,000	Investment in artist; liked outdoors theme; colors/investment

APPENDIX 4-2
(Cont'd)

	Name	Age	Occupation	Approx Income	Reason Purchased
79-5	Dennis Shoemaker	34	Air Force	23,000	Duck hunter; likes ducks
6	Joy Chambers	38	Realtor		Liked sky and colors from ocean home
7	Judy Meadows	29	Husband is Air Force	21,000	Reminded of home; likes eagles
8	Susan Anderson	26	Air Force	18,000	Loved the colors and sky; "there was movement"

1980 Painting Data

	Title	Medium	Size	Price	Commission	Purchaser
80-2	East Gap	Oil	36x24	300	Yes	Bob Lee

Purchaser Data

	Name	Age	Occupation	Approx Income	Reason Purchased
80-2	Bob Lee	43	Air Force	25,000	Loves elk; investment in artist

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