Initial Business Feasibility Study
Cooperative Art Gallery
in Downtown Little Chute, Wisconsin

Prepared by:
Small Business Development Center
University of Wisconsin Oshkosh College of Business

Tom Richter, Business Counselor
Andrew Stephany, Market Research Intern
Bob O’Donnell, Center Director

October 25, 2012
# Table of Contents

Executive Summary ................................................................. 3  
Business Description .................................................................. 4  
Industry Analysis ....................................................................... 5  
Customer/Market Analysis .......................................................... 6  
Competition Analysis .................................................................. 7  
Marketing Plan ........................................................................... 8  
Management Plan ....................................................................... 9  
Appendices ................................................................................ 10  
Bibliography ............................................................................... 11  
I. Executive Summary

A cooperative art gallery in Little Chute, Wis. would be a business in which the artists who have works of art on display for sale also operate the gallery, and jointly manage all aspects of the business. The target market for the business would include both serious and casual-moderate collectors of fine art.

For this study, we envision a business where “master artists” can both sell works of fine art as well as offer workshops during which customers can learn to create their own works of art. The start-up costs for the cooperative gallery are estimated to be $17,000 based on a study of similar ventures in other parts of the country. Of that investment, the participating artists would be expected to provide 30% in equity investment.

For planning purposes, the business would initially need a minimum of eight master artists. The mix of artists should offer customers the opportunity to purchase works of fine art in the mediums of oil painting, watercolor painting, acrylic painting and photography. Although prices will be determined by the individual artist with most pieces should fall in a target range of $500 to $3,000 per work. Workshops, on the other hand, will be priced to be affordable by a wide range of incomes.

To support both in-gallery and on-line sales, the business will be promoted primarily through social media and an e-commerce site targeting serious and casual-moderate collectors of fine art. Since the gallery would be designed to be a destination for serious collectors, it does not need to be located in an area of high pedestrian traffic area to be successful.
II. Business Description

Cooperative art galleries are a relatively new form of business in Wisconsin but there are examples of such businesses that have met with varying degrees of success. To develop a model for such a gallery in Little Chute, Wis.; the following businesses were studied:

Art/Artist Cooperatives in Northeast Wisconsin

- Main Street Art Works - 627 Main Street, Hilbert, Wis.
  - Featuring works by seven artists
  - Open Friday, Saturday and Sunday
  - http://www.mainstreetartworks.com/

- Jambalaya Cooperative Gallery - 413 North Main Street, Oshkosh, Wis.
  - Featuring works by seven artists
  - 1,500 square feet on three levels
  - First floor for gallery; second floor for studios and storage; and basement for workspace.

Art/Artist Cooperatives in Wisconsin

- Gallery Q Artists’ Cooperative - 1108 Main Street, Stevens Point, Wis.
  - Featuring works by 23 artists
  - 2,750 square feet. 14 foot ceilings and 2,000 square feet for display.
  - Open Tuesday thru Sunday

- Superior Artist Gallery – closed gallery location in Washburn, Wis.
  - Occasional shows at sites in Bayfield County and website
  - Featuring works by nine artists
  - http://www.superiorartists.com

- Studio 6 Artists Cooperative - W62 N590 Washington Avenue, Cedarburg, Wis.
  - Featuring works by 11 artists
  - Open 7 days a week
  - http://www.studio6artists.com/

In addition, to determine what types of art workshops potential customer would be interested in attending, the business feasibility study considered a 2008 study for Northeast Wisconsin Technical College in Green Bay, Wis. to determine the level of community interest in such workshops:

- In terms of community interest in attending an art workshop taught by a “master artist” 89% of respondents said they would attend such a program is offered on Saturdays. Other surveyed options included Friday/Saturday workshops (88%), and Friday/Sunday Art Workshop (80%) and weekday workshops (70% to 75%).

- In terms of what type of art workshops respondents were most interested in, the top ten included: drawing (74%), oil painting (72%), watercolor painting (70%), photography (69%), painting-acrylic (64%), sculpture-clay (63%), jewelry (62%), sculpture-glass (61%) and Clay-Wheel Throwing (61%).

According to the U.S. Bureau of Labor Statistics and its *Occupational Outlook Handbook*, most fine artists have at least one other job to support their art careers, and often teach art classes or conduct workshops in schools or in their own studios. In 2008, there were 221,900 artists in the United States, about 60% of whom were self-employed.
Based on a study of the business models and other information cited above, and a literature search of other examples around the United States; this feasibility study envisions a business in Little Chute, Wis. that would:

- Initially involve a group of seven to nine “master artists” exhibiting their art work in a common gallery area as well as offering workshops for customers once a week. In addition to providing works for sale and conducting workshops, the participating artists would share responsibilities in the operation and management of the business.
- Include artists working in oil painting, watercolor painting, acrylic painting and photography.
- Offer workshops in oil painting, watercolor painting, acrylic painting, photography and drawing by “master artists” at the beginner and intermediate levels. The workshops will be a source of both revenue and a way for artists to connect with potential customers on a personal level.
- In addition to a physical gallery space, the business would also operate a “virtual gallery” on-line to promote both sales and customer traffic in the physical location.

III. Industry Analysis

According to the U.S. Bureau of Labor Statistics, the number of people employed or making a living as artists is projected to grow about as fast as the average growth of employment in the United States. The Bureau’s Occupational Outlook Handbook, however, notes, that competition among artists for the privilege of being shown in galleries is expected to remain intense.

In addition, as public financial support for the arts has decreased, more and more artists are looking at for-profit business models. In 2011, for example, the State of Wisconsin provided $2.4 million in support for the arts statewide, a number that will decrease to just $759,000 in 2012.

A number of successful independent artists in Northeast Wisconsin were also interviewed for this feasibility study and the following is a summary of their observations:

- Many artists could afford to work independently until around the economic downturn in 2008.
- Following the downturn, many independent artists began looking for alternatives to selling custom artwork since people who previously commissioned such pieces no longer had money to do so.
IV. Customer/Market Analysis

According to Nicholas Forrest, an arts market analyst, there are five types of buyers for works of art.

- **Collectors** - generally middle-class professionals who identify a particular genre or time period from which to collect artworks.
- **Decorators** - buy artworks that reflect their style, décor and color scheme.
- **Investors** - purchase art for its potential long-term financial returns.
- **Opportunists** - take advantage of a hot art market to buy and sell art on a quick turnaround schedule.
- **Egotists** - buy art to impress their acquaintances.

Source: [http://www.ehow.com/about_6328211_art-industry-analysis.html#ixzz1XCWVI92f](http://www.ehow.com/about_6328211_art-industry-analysis.html#ixzz1XCWVI92f)

According to Molly Barnes, a curator and art dealer with a national audience, the motivation of buyers of works of art changes with age.

- People in their **20's** buy art because they know the artist and they think it will always be available.
- People in their **30's** are looking for something to decorate their house with and to entertain guests with.
- People in their **40's** are usually looking for a new hobby.
- People in their **50's and 60's** want to get on the front cover of *Architectural Digest*.
- People in their **70's and 80's** just want to get back to giving away.

Source: [http://www.youtube.com/watch?v=IDi_S3NtenU](http://www.youtube.com/watch?v=IDi_S3NtenU)

Based on the information discussed above and a review of other current literature, there are two primary customer groups for a cooperative art gallery in Little Chute, Wis.;

- **Casual-Moderate Collectors**
  - Annual Household Income: $50,000-$200,000
  - College Education (Bachelors degree)
  - Business Professional
  - Art is viewed as another form of home or office decoration
  - Occasionally attend cultural events

- **Serious Collectors**
  - Annual Household Income: $200,000 and up.
  - College Education (Masters degrees or PhD's)
  - Medical and Business Professionals (CEOs and vice presidents)
  - Art is displayed as a collection as if their home or office is their own personal museum.
  - Season ticket holders for cultural events

Based on those demographic characteristics, there are an estimated 3,000-4,000 casual-moderate collectors and 150-350 serious collectors in the Green Bay and Fox Cities (including Fond du Lac and Oshkosh). For the purpose of financial projections, the business could be expected to secure 1% of those potential customers as actual customers on an annual basis.

For future growth, the business should market itself as a destination for serious collectors from throughout the eighteen counties of Northeast Wisconsin. Based on the demographic characteristics for casual and serious collector, there are an estimated 5,000-7,500 casual-moderate collectors and 200-500 serious collectors for the business in the region as a whole. Again, for the purpose of financial projections, the business could be expected to secure 1% of those potential customers as actual customers on an annual basis.
V. Competition Analysis

A. Direct Competition – Green Bay/Fox Cities Metro Areas - Serious Collectors

<table>
<thead>
<tr>
<th>Location</th>
<th>Business Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appleton, Wis.</td>
<td>Fired Earth Pottery</td>
</tr>
<tr>
<td></td>
<td>Photodynamix</td>
</tr>
<tr>
<td></td>
<td>Studio 213</td>
</tr>
<tr>
<td>Fond du Lac, Wis.</td>
<td>Old World Art Glass</td>
</tr>
<tr>
<td></td>
<td>The Goldsmith</td>
</tr>
<tr>
<td>Green Bay, Wis.</td>
<td>Vision Photo Works</td>
</tr>
<tr>
<td></td>
<td>Wisconsin Arts Gallery &amp; Frames Inc.</td>
</tr>
<tr>
<td>Hilbert, Wis.</td>
<td>Main Street Art Works</td>
</tr>
<tr>
<td>Menasha, Wis.</td>
<td>Wild Apple Glass Studio &amp; Gallery</td>
</tr>
<tr>
<td></td>
<td>Vertigo 1894</td>
</tr>
<tr>
<td>Oshkosh, Wis.</td>
<td>Jambalaya Cooperative Gallery</td>
</tr>
<tr>
<td></td>
<td>Mystical Earth Gallery</td>
</tr>
</tbody>
</table>

B. Direct Competition – Green Bay/Fox Cities Metro Areas - Casual Collectors

<table>
<thead>
<tr>
<th>Location</th>
<th>Business Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appleton, Wis.</td>
<td>Avenue Art &amp; Co.</td>
</tr>
<tr>
<td></td>
<td>Foxley’s Art and Framing</td>
</tr>
<tr>
<td></td>
<td>Portraits by Sbrouillard</td>
</tr>
<tr>
<td></td>
<td>The Fire</td>
</tr>
<tr>
<td></td>
<td>The Frame Workshop</td>
</tr>
<tr>
<td>De Pere, Wis.</td>
<td>Inkdrop Arthaus LLC</td>
</tr>
<tr>
<td></td>
<td>Assemblage Studio</td>
</tr>
<tr>
<td>Fond du Lac, Wis.</td>
<td>Gallery &amp; Frame Shop</td>
</tr>
<tr>
<td></td>
<td>Integrity Glass &amp; Paint</td>
</tr>
<tr>
<td></td>
<td>Trinkets &amp; Treasures</td>
</tr>
<tr>
<td>Green Bay, Wis.</td>
<td>Artworks Gallery.</td>
</tr>
<tr>
<td></td>
<td>The Art Garage</td>
</tr>
<tr>
<td></td>
<td>Wildwood Gallery</td>
</tr>
<tr>
<td></td>
<td>The Framing Cottage</td>
</tr>
<tr>
<td></td>
<td>The Gift Itself</td>
</tr>
<tr>
<td>Menasha, Wis.</td>
<td>An Angel’s Influence</td>
</tr>
<tr>
<td>Oshkosh, Wis.</td>
<td>Soiree Urban Gifts</td>
</tr>
</tbody>
</table>

C. Indirect Competition – Serious and Casual Collectors

- Bergstrom-Mahler Museum – Neenah, Wis.
- The Paine Art Center – Oshkosh, Wis.
- The Priebe Arts Gallery (UW-Oshkosh) – Oshkosh, Wis.
- The Trout Museum of Arts (formerly the Appleton Art Center) – Appleton, Wis.
- Wriston Art Center (Lawrence University) – Appleton, Wis.
VI. Marketing Plan

Product/Service Mix Strategy

- The gallery will specialize in works of art by “master artists” in the following mediums: oil painting, watercolor painting, acrylic painting and photography.

- Workshops by “master artists” in those mediums will be offered at both the beginner and intermediate levels.

Pricing Strategy

- The sale price of works of art will be in the range of $500 to $3,000 per work.

- The business will take a 20% commission to put towards operating costs of the gallery.

Place/Location Strategy

- The business will require a 2,000 square-foot space with 50% of space dedicated to gallery use and the remaining space for workshops. The location and facility should be in keeping with the “fine arts” focus of the business.

- To minimize operating costs and staffing requirements, it is recommended that the gallery initially be open on weekends or by appointment. As customer traffic increases, evening and later day hours will be added during weekdays.

- In time, artist studio, and possibly living space should be added to the gallery. Having a location that offers the space for future growth would be beneficial.

- Since the gallery will be a destination retail business for a very specific target market, it does not require a high pedestrian traffic location. Such a location, however, could be beneficial.

Promotional Strategy

- To develop market awareness and a personal relationship with both existing and potential customers, the business will use targeted social media.

- The business will market its products and services using an e-commerce web presence, to supplement sales at the physical location.

Positioning Strategy

- The business will position itself as a unique source of works of fine art where customers can develop a very personal relationship with the artists.
VII. Operations & Management Plan

- The business will be run as a for-profit cooperative under the laws of the State of Wisconsin, and the cooperative members will consist of the participating artists. Cooperative membership responsibilities will include the following:

  - Providing works for display in the gallery
  - Conducting at least one workshop every other month.
  - Staffing the gallery as required by operating hours
  - Participating in monthly board meetings

- The cooperative's board of directors will include both its members and outside professional advisors (i.e., accounting, legal, insurance and banking advisors). Due to the uniqueness of the business, having an artist member and/or professional advisors that are familiar with, or have prior experience, operating an art gallery is highly recommended.

- The board of directors will meet on a monthly basis to evaluate gallery operations and make business decisions. An executive committee will be established by the board to act in its behalf in between monthly board meetings.
VIII. Appendices – Potential Customers

Key Demographics for Brown, Calumet, Fond du Lac, Outagamie, Winnebago Counties
Source: www.factfinder.census.gov

- Casual-Moderate Collectors
  - Annual Household Income: $50,000-$200,000
  - College Education (Bachelors)
  - Business Professional
  - Art is viewed as another form of home or office decoration
  - Occasionally attend cultural events

- Serious Collectors
  - Annual Household Income: $200,000 and up.
  - College Education (Masters or PhD’s)
  - Medical and Business Professionals (CEOs and vice presidents)
  - Art is displayed as a collection as if their home or office is their own personal museum.
  - Season ticket holders for cultural events

Key Demographics from U.S. Census for 18 counties of Northeast Wisconsin
Source: www.factfinder.census.gov

- Serious Collectors
  - Annual Household Income: $200,000 and up.
  - College Education (Masters or PhD’s)
  - Medical and Business Professionals (CEOs and vice presidents)
  - Art is displayed as a collection as if their home or office is their own personal museum.
  - Season ticket holders for cultural events

<table>
<thead>
<tr>
<th>Fox Cities (Including Fond du Lac and Oshkosh)</th>
<th>Total Population</th>
<th>Total</th>
<th>1%</th>
<th>2%</th>
<th>3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>677,210.00</td>
<td>6,772.10</td>
<td>13,544.20</td>
<td>20,316.30</td>
<td></td>
</tr>
<tr>
<td>Over age 30</td>
<td>397,531.00</td>
<td>3,975.31</td>
<td>7,950.62</td>
<td>11,925.93</td>
<td></td>
</tr>
<tr>
<td>Household annual income $50,000 to $200,000</td>
<td>136,227.00</td>
<td>1,362.27</td>
<td>2,724.54</td>
<td>4,086.81</td>
<td></td>
</tr>
<tr>
<td>Household annual income over $200,000</td>
<td>6,427.00</td>
<td>64.27</td>
<td>128.54</td>
<td>192.81</td>
<td></td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>77,206.00</td>
<td>772.06</td>
<td>1,544.12</td>
<td>2,316.18</td>
<td></td>
</tr>
<tr>
<td>Master’s or higher degree</td>
<td>31,191.00</td>
<td>311.91</td>
<td>623.82</td>
<td>935.73</td>
<td></td>
</tr>
</tbody>
</table>

*Household number was doubled to account for multiple customers in household

<table>
<thead>
<tr>
<th>New North region</th>
<th>Total Population</th>
<th>Total</th>
<th>1%</th>
<th>2%</th>
<th>3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>1,204,912.00</td>
<td>12,049.12</td>
<td>24,098.24</td>
<td>36,147.36</td>
<td></td>
</tr>
<tr>
<td>Over age 30</td>
<td>735,867.00</td>
<td>7,358.67</td>
<td>14,717.34</td>
<td>22,076.01</td>
<td></td>
</tr>
<tr>
<td>Household annual income $50,000 to $200,000</td>
<td>241,175.00</td>
<td>2,411.75</td>
<td>4,823.50</td>
<td>7,235.25</td>
<td></td>
</tr>
<tr>
<td>Household annual income over $200,000</td>
<td>9,467.00</td>
<td>94.67</td>
<td>189.34</td>
<td>284.01</td>
<td></td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>122,939.00</td>
<td>1,229.39</td>
<td>2,458.78</td>
<td>3,688.17</td>
<td></td>
</tr>
<tr>
<td>Master’s or higher degree</td>
<td>49,747.00</td>
<td>497.47</td>
<td>994.94</td>
<td>1,492.41</td>
<td></td>
</tr>
</tbody>
</table>

*Household number was doubled to account for multiple customers in household
## Cooperative Art Gallery Start Up Costs

### Operating Costs:

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,000-2,300 SF building</td>
<td>$9/SF/Year</td>
<td>$1,600/month = $19,200 per year</td>
</tr>
<tr>
<td>Security Deposit (1 Months Rent)</td>
<td></td>
<td>$1,600</td>
</tr>
<tr>
<td>Website Hosting</td>
<td></td>
<td>$30 per year</td>
</tr>
<tr>
<td>Other monthly expenses (Utilities, Insurance, etc)</td>
<td></td>
<td>=</td>
</tr>
</tbody>
</table>

### Start Up Costs:

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Website</td>
<td></td>
<td>$500</td>
</tr>
<tr>
<td>Art Gallery Furnishings</td>
<td></td>
<td>=</td>
</tr>
<tr>
<td>Aluminum Art &amp; Display Easel</td>
<td>32 @ $90.00 each</td>
<td>$2,880</td>
</tr>
<tr>
<td>Print Racks</td>
<td>3 @ $190.00 each</td>
<td>$570</td>
</tr>
<tr>
<td>Stainless Steel Queue Polls</td>
<td>15 @ $65.00 each</td>
<td>$975</td>
</tr>
<tr>
<td>Display Pedestals</td>
<td>15 @ $100 each</td>
<td>$1,500</td>
</tr>
<tr>
<td>Workshop Supplies</td>
<td></td>
<td>=</td>
</tr>
<tr>
<td>Workshop Easels</td>
<td>10 @ $90.00 each</td>
<td>$900</td>
</tr>
<tr>
<td>Steel Stools</td>
<td>10 @ $55.00 each</td>
<td>$550</td>
</tr>
<tr>
<td>Print Racks</td>
<td>10 @ $190.00 each</td>
<td>$1,900</td>
</tr>
<tr>
<td>Tables</td>
<td>5 @ 450.00 each</td>
<td>$2,250</td>
</tr>
<tr>
<td>QuickBooks Point of Sale software</td>
<td></td>
<td>=</td>
</tr>
<tr>
<td>P.O.S. system</td>
<td>1 @ $500</td>
<td>$500</td>
</tr>
<tr>
<td>P.O.S. workstation</td>
<td>1 @ $800</td>
<td>$800</td>
</tr>
<tr>
<td>Legal Fees</td>
<td></td>
<td>=</td>
</tr>
<tr>
<td>Cooperative Set-up</td>
<td></td>
<td>$500</td>
</tr>
</tbody>
</table>

**Total Start Up Costs**

= $15,025

**Total**

= $35,855
Bibliography


  http://www.suelemerond.com/research/research2.pdf

  <http://www.nea.gov/news/news08/artistsinworkforce.html>. (Gifford)

  http://www.americansforthearts.org/pdf/information_services/creative_industries/senate/Wis_Kohl.pdf


  http://aftadc.brinkster.net/Wisconsin/Wisconsin.pdf

  <http://www.youtube.com/watch?v=IDi_S3NtenU>. (Barnes)

  <http://www.ehow.com/about_6328211_art-industry-analysis.html#ixzz1XCWVi92f>. (Van Beest)

  <http://creativitypro.com/art-collectors-what-do-they-really-want#respond>. ("Creativity pro")