

Art.com

2013

Timothy Booth

Kyle Minnich

Adam Thiel

Mickenopak White



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EXECUTIVE SUMMARY

ApolloArt is a start-up business focused on providing a way for artists to sell their work to businesses and other individuals with affluence. As a team of UNT students holding various degrees, skills and backgrounds we believe we will be able to create a successful e-commerce site that will work for this purpose. Our site will be simple, easy to navigate, and tasteful, so that businesses looking to purchase art will be able to find what they are looking for quickly. In the same way, artists looking for a site to sell their high-valued work will find our site extremely user friendly while having a professional look to it all the same.

ApolloArt simply hopes to be a medium to make the connection between businesses (and some individuals) looking for art and artists looking to display and sell their work. Therefore along with a professional website, we will provide competitive pricing and commission costs, competitive shipping rates, and exceptional customer service. A portion of our profits will also go towards various different arts/humanities charities, with the buyer having the option to choose from a list of options.

We will be using a structured process for this project and have begun financial and marketing analysis already. We plan to stick to a strict schedule and have our business up and running on time. We are looking forward to this process and hope to be online and buying/selling artwork soon!

Objective

- Provide a place for businesses to purchase high-value artwork from various artists
- Provide a place for artists to list their artwork to be viewed and bought by various businesses
- Use e-commerce to reach a wide consumer base, allowing artists to not be limited to local selling
- Handle all communication, shipping, issues and disputes between seller/buyer via our web store

Mission

To become the number one site for high-value artwork to be viewed, sold and bought by various companies and individuals by providing competitive rates, user-friendly navigation, expedited shipping and excellent customer service.

Keys to Success

- Simple navigation and ease-of-use throughout our website
- Keep one main focus: selling high-value artwork from artists to businesses
- Quick response time to customer questions by email, phone or online
- Clear, High-Quality photos and images of the artwork that is being sold
- Marketing through various means; getting the name ApolloArt recognized
- A constant dedication to our Mission and our customers

COMPANY SUMMARY

Company Ownership

ApolloArt is a joint business venture that is owned and operated by four partners:

Timothy Booth
Kyle Minnich
Adam Thiel
Mickenopah White

Each partner has a 25% percent stake in the company, and in turn all earnings are divided between the partners by 25%.

Start-Up Plan

ApolloArt got it's start in January of 2013. ApolloArt wished to open a business that would take advantage of the Internet's ability to make shopping for products and services easier. Inspired by artists, we decided upon the idea to sell art. We used the connections provided by the University of North Texas to meet with fellow artists, and the company was born.

Company Locations and Facilities

ApolloArt has no physical location. It is a website that will be maintained by the founders from their own homes. ApolloArt will rent office spaces and auditoriums if the need to physically display the art arises, otherwise the creators of the art will keep their work until the sale is made.

SERVICE

Service Description

ApolloArt's primary service will be the selling of valuable art to high-end companies and those of affluence. We will act as an intermediary between the artist and the potential customer, setting up meetings between the two both physically and electronically. Our website will allow for customers to preview what artists are trying to sell, reserve their orders, and through us meet with the artist to physically view the art and purchase the art, again through us.

Competitive Description

While almost every business nowadays has some sort of online component, the field of art dealing has not really taken advantage of the uses of the Internet, mostly using it as a means to process transactions. ApolloArt intends to allow potential customers to gain in-depth details about their potential purchases, including many high definition photos of the art and potential mock-ups of rooms with the art. The website will also allow for easy communication between the customers and the artists, along with the usual transactions.

Sales Literature

To advertise our website, ApolloArt will utilize ad banners on websites that focus on art. We will also have our own YouTube channel where we can post videos previewing some of the art pieces and artists we will be

handling. We will also have flyers passed out at art museums and shows to help advertise the website, and potentially a short commercial on either television or radio.

Sourcing

After the website is up and running, we will begin advertising and attracting artists looking to sell their work by visiting art shows, and allow word of mouth and our advertising to spread the word about our services.

Technology

Our Website will be created and maintained in Microsoft Visual Studio 2010. Specifically, the website will use the ASP.NET framework, with code written in C#.

Future Service

As our company grows, we hope to be able to purchase a permanent auditorium or showroom where we can have our clients' work constantly on display. We also hope to attract business from beyond the United States, hoping to buy and sell through us.

MARKET ANALYSIS

Market Segmentation

ApolloArt's market could simply be stated as any person/business that has the means to buy high-valued and high-quality artwork. However that market can be quite large and is ill-defined. To resolve this issue, we will be splitting our target market into 3 distinct segments. These segments include:

- Fortune 500 companies
- Professional, non-fortune 500 companies
- Individuals/Art collectors

As you can see by the diagram below, our primary market of the three segments is going to be fortune-500 companies. We see these companies as ones that have the means and incentive to purchase the work that we will be selling via our website. However to limit our market to only these companies would in effect lower our profit and consumer base without real reason. Therefore we also expect to target other professional businesses looking for artwork as well. Finally, while not our primary concern, individuals with the means to purchase our items will be able to do so and there will be a separate checkout process for these individuals to purchase works from our site.



Target Market Segment Strategy

Market Needs

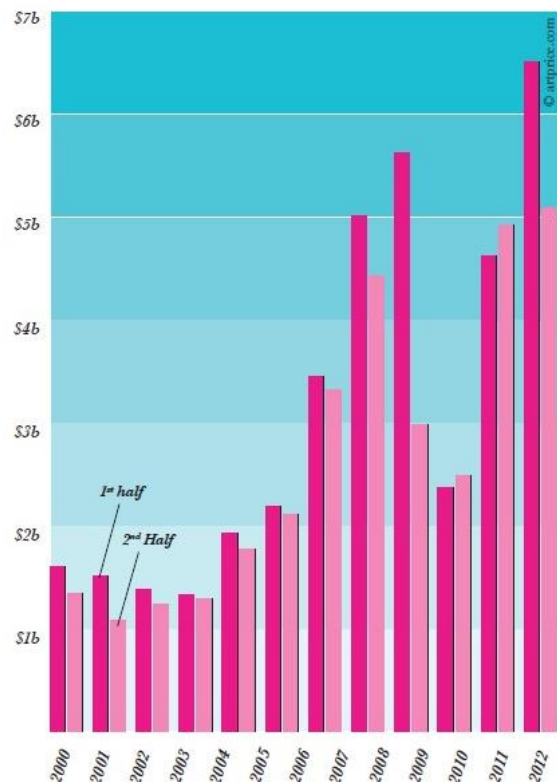
While there are plenty of e-commerce sites available for artists to list their work for sale, not many of these sites have a focus on selling to successful businesses or on providing quality artwork with a professional feel. Websites like www.zazzle.com and www.artbreak.com are a couple examples of such sites. On sites like this, the layout can be confusing with a lot of ads, moving images, and an abundance of links, buttons and pages. While this may appeal to a younger crowd, it is not the look or feel that our company is striving for. ApolloArt will be a professional medium website, selling to professional people. While sites like this do exist, they are not in abundance and the need for them is there and waiting to be filled.

Market Trends

Art is everywhere. It is the way that people decorate and bring life to places whether it be home or work, and this art needs to be bought somewhere. This has been the case for a very, very long time, and is still the case today. According to Art Market Trends, a document published by ArtPrice.com, worldwide Fine Art sales totaled approximately \$11.5 billion in 2012. This is compared to approximately \$9.5 billion in 2011 and just over \$5 billion in 2010. These numbers show the substantial growth that has been occurring in the art market throughout the last few years. We

Fine Art auction sales revenue

Breakdown by semester (2000 - 2011)



are confident that this growth will continue into 2013, and that this growth combined with the need for professional high-value art websites will make our business a successful one.

Market Growth

As can be seen in the above bar chart, the market trend for art sales over the last few years has been going up. This is the primary market trend and it is continued to go this way into 2013. Thierry Ehrman, Artprice founder and CEO, was asked about his forecast for 2013 and was reported saying “The explosion of the art market on the Internet.” And “The dematerialization of the old economy will continue because all the players on the world art market with serious purchasing power are now online...” Therefore the trends that have been occurring in the market as well as this view on what will happen in the future reassures us at ApolloArt that we are headed in the right direction.

Industry Analysis

Industry Participants

As stated earlier, there are a variety of websites selling art online. However not all of these websites are doing so in the way that we at ApolloArt desire to do so. Most of them are for low-volume, low-cost artwork that any individual can post and any buyer can purchase. Sites such as eBay, Amazon and others also act as a medium for artists to sell their work. While all these sites do exist, the market entry for an e-commerce company selling artwork C2B should be fairly easy. Artwork is constantly being sold and bought, and in the end it is going to come down to strategy and planning to make our business successful.

Distribution Patterns

Since we will not be creating our own inventory or buying a specific amount from a merchant on a regular basis, distribution will be at the front of our minds going

into this project. We expect to have relatively low volume in the beginning, with an inventory consisting mainly of local pieces of artwork. However as we expand and become more well known, we expect to increase our inventory. Therefore it is going to come down to supply and demand as our business grows to determine exactly what type of distribution we will be using and where our distribution centers will be located.

Factors of Competition

The main advantage that ApolloArt is going to have over our competition is the quality of the work we sell, the quality and professionalism of our website and the excellence of our customer service. We desire to be a professional company, and will act as such providing a level of professionalism that is not seen by many other art-selling/bidding sites.

Main Competitors

While sites like eBay, Amazon, Etsy and other online auction or retail sites do allow artists to sell their work, there are not many of them that we would consider primary competition. However a couple that we would consider main competitors would be sites such as www.ArtUSA.com and www.artbrokerage.com. These sites offer higher-priced works that seem to be of high-quality and have a professional, simple layout to navigate. The few sites like this that do exist will be our main competition in entering this market as we try to grow our business.

STRATEGY AND IMPLEMENTATION

Strategy Pyramids

Top: promote ease of use for purchasing or selling with our site.

Expanding business to handle growth

Marketing our business in avenues that appeal to the higher end art collector.

Reach to fortune 500 companies and private art collectors as to why should choose to do business with us.

Get financial backers for company.

Bottom: Provide portfolio of images by artists.

Value Proposition

How we generate Revenue:

The business will take as low as 10% commission on works sold through the website and will vary depending on the price, rarity and perceived quality of artwork.

Why choose us: Customers will choose us for our fair rates on selling their pieces of artwork they have to sell. As well as our goal and reputation for making sure that all work of have been authenticating by well-established appraisers in the field.

Market size: With this type of market, our customer number and size will be based on average income of the individual or business interested in

buying high quality art. Most High end art ranges from two thousand dollars for low end high quality art up to 300 million for rare pieces of artwork.

Costs: The startup cost of the business will primarily consist of the creation and development of a professional website therefore a concern of captivating a percentage of the market is small in the beginning. There will be costs associated with getting any inventory of art to sell more directly on the website. If we are to buy works and have any kind of inventory, there will have to be a location to store the works of art for sell.

Once our business begins to deal with art by artists who are deceased, we will incur a cost to authenticate the works of art are indeed originals.

Competitive Edge

Our Competitive edge will be our business model of selling high end art that is by living and deceased artist that have been authenticated. High end art that is captivating, lucrative, and expressive is what companies or private individuals use to strike up conversations, as well as uplift the feel in environment of a room. High end art is what our main emphasis for what our company will sell to or for our customers.

Market Strategy

Positioning Statement

We are here to connect artists with businesses and provide for art programs in local schools in the meantime. Artists are out there putting their time into their works knowing the risk of small financial support by their peers while the idea of business is to make money. We are here to the two worlds of thought into helping both get out of life what they are looking for.

Pricing Strategy

Our pricing strategy will be determined by the market and the individuals involved in the transactions. Our goal with pricing is to let the economy's supply and demand balance out any price discrimination on the market with over or under priced pieces of art. We will take a commission on all work sold through our site therefore there will be a markup price of at least 10% and as high as 20%. Our value range on commission will be as follows:

<u>Value of art</u>	<u>Commission</u>
\$1,000 - \$5,000	20%
\$5,001 - \$25,000	15%
\$25,001 +	10%

Promotion Strategy

Promotion Strategy and Marketing Programs: Reaching out to fortune 500 companies initially to sell our high end art and why they should choose to do business with us. Then move on to word of mouth with our initial satisfied clientele. Progressing with us buying advertisement in high end Art magazines.

Marketing Programs

Initially our company must solely depend on us contacting fortune 500 companies and reaching out to potential art collectors ourselves. As our company grows and word of mouth among private collectors grow we will be able to advertise in High end art magazines and private country clubs.

Sales Strategy

Sales Forecast

Sell 100 paints each year with 5-10 % growth each year. Within those numbers, we expect 60% of the paintings sold to come from the \$1,000-5,000 range. 30% come from the \$5,001-25,000 range, and 10% come from the \$25,001 + range.

Sales Programs

Initially will be reaching out to fortune 500 companies and private collectors, then to word of mouth with our initial satisfied cliental. The goal is to be able to extend our advertising to high end art magazines, shows, and private art clubs.

Milestones

Word of mouth and reaching out to fortune 500 companies and private collectors.

Expand advertising to high end art magazines

Expand ability to authenticate artwork and effectively sell at a high end price.

MANAGEMENT SUMMARY

Organizational Structure

Partnership, LLC

Management Team

Timothy Booth – CEO, Chief Executive Officer, ApolloArt.

Kyle Minnich – CTO, Chief Technology Officer, ApolloArt.

Adam Thiel – CFO, Chief Financial Officer, ApolloArt.

Mickenopah White – CMO, Chief Marketing Officer, ApolloArt.

Management Team Gaps

There is a majority youth in our experience as a management team. We will strive to bridge that gaps in the coming years and develop a knowledgeable team and supporting cast.

Personnel Plan

The personnel plan for ApolloArt is to build our team with experience and knowledge over the next 5 years. We would like to have business relations with at least 10 well known artists, curators from local museums, as well as schools within the local communities.

FINANCIAL PLAN

Important Assumptions

Our foremost assumption is that we can get willing and interested artists to sell their work online. It is more commonplace for businesses to use the internet as a medium for business where it is less common for artist.

Key Financial Indicators

Key financial indicators in our line of business will lie in the number of museum curators and personal art collectors we can have business relations with. They are those in the market who know where to look and who to look for in up and coming art. They are also those who care about the value of art and can be a valuable component to the success of our business.

Breakeven Analysis

Our breakeven analysis will vary depending on the value of the works being sold through our site. The breakeven number that will be used is our startup cost of \$25,000 acquired as a bank load for a startup company. In order to cover this cost, the amount of paintings we must sell in their respectable ranges are as follows:

<u>Value of art</u>	<u>Commission</u>	<u>Amount Sold</u>
\$1,000	20%	125
\$5,000	20%	25
\$5,001	15%	34
\$6,667	15%	25
\$25,000	15%	7
\$25,001 +	10%	10
\$35,715 +	10%	7

Therefore, the number of paintings we must sell based on our commission rate will vary between 7 and 125 depending on the value of the art.

Projected Balance Sheet

Balance Sheet			
	Assets		
Cash		\$17,000	
Computers		\$4,000	
Servers		\$2,500	
	Total Assets		<u>\$23,500</u>
	Liabilities		
Note Payable		\$25,000	
	Total Liabilities		<u>\$25,000</u>
	Owner's Equity		
Retained Earnings		(\$1,500)	
	Total Owner's Equity		<u>(\$1,500)</u>

Business Ratios

Current Assets/Current Liabilities

0.94