



By Susan Krasny

ART & SUPPLY STORE BUSINESS PLAN



EXECUTIVE SUMMARY

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The Visual Arts Center (VAC) is a 501c3 nonprofit organization focused on the Visual Arts. We were founded in 1967 and offer art education and opportunities for artists to display, compete, market and sell their art. We are located in Punta Gorda, across from Fishermen's Village at the entrance to Punta Gorda Isles.

Our Vision is to provide everyone a place to enjoy the arts with opportunities to learn and appreciate all visual art forms. Our Mission is to inspire, explore, create and promote the visual arts. We provide art education to all ages, 8 to 80+ through classes and workshops in fine arts, jewelry, pottery, stained glass, photography and more. We also have an extensive art library with more than 3,500 books, periodicals and DVDs. Artists exhibit and compete in three onsite art galleries offering more than 20 exhibits annually and display their art offsite in hotels, businesses and government facilities. Unique hand crafted items are featured in our gallery style art gift shop, as well as through our indoor and outdoor local and national art markets. Approximately one-third of all revenue is returned directly to local artists through instructor fees, exhibit awards and art sales.



Opportunity

The VAC was selected by the Patterson Foundation for its Margin and Mission Ignition Initiative to develop and implement earned-income plans to strengthen entrepreneurial capacity and become sustainable for greater community impact. We have an opportunity to put into action the first steps toward developing a long-term plan for financial stability for the VAC. The goal is to initiate programs that can contribute to our bottom line so we are not continuously fundraising to support operating costs such as keeping the lights on, or the building operating.

Problem

The VAC has limited space for new opportunities within its existing constrained space to meet customer demand, increase earned revenue opportunities, enhance program delivery, and streamline administrative operations.

Art Supplies: The majority of VAC education offerings require supplies and materials which must be located and purchased over the internet or from retail art supply stores. Many students find it difficult to locate what is needed. They often bring the wrong items or forget to bring the essential items which hinders their art education progress. Finding the right supplies within the limited timeframe between registration and class start dates can often be a challenging and frustrating experience. It also presents an opportunity for the VAC as a potential revenue generating idea. A list of proposed art supply kits and basic art supplies can be found on page 14 and 15 of the Business Plan.



Beverages & Snacks: The VAC had two old and damaged vending machines that were removed to install new floors. After they were removed, visitors expressed a desire to have access to beverages and snacks again at the VAC. Providing a selection of affordable, healthy snacks and beverages as a convenience for students and visitors while on premises with a built-in clientele offers a revenue generating opportunity.



Logo Items: The VAC has a very loyal clientele who like to promote the VAC to their friends and family. Whenever we have items with the VAC logo on them, they sell quickly and are asked for often. Carrying a regular inventory of VAC logo items could be both a marketing and revenue generating opportunity.



Art Supply Storage: Students and members who attend classes, workshops or studios on a weekly basis have often asked if there is a place they can leave their supplies so they don't have to carry them back and forth from home. Several members have suggested we consider onsite lockers. VAC Space is limited, however, if appropriate space can be created, rental lockers can be a good member benefit as well as a revenue generating opportunity.



Solution

Our solution is to build on the needs and desires of our members and customers by creating an Art & Supply Store within the VAC to offer class supply kits, class focused materials, a limited inventory of professional quality basic art supplies, VAC logo items, \$1 per item healthy snacks and rental storage lockers – all as a convenience for students, members and visitors and creating an earned income opportunity for the VAC. Because space is limited, reconfiguring space within the VAC will be necessary to create space for an Art & Supply Store.

Market

The Art & Supply Store customers will be a subset of VAC customers. Primary customers are VAC students and members. Approximately 2,000 art students enroll in 300+ fine art, jewelry, stained glass, pottery, photography, specialty and youth classes annually. The VAC has approximately 1,000 annual members, a strong customer base for logo items. Secondary customers are VAC visitors and other art centers, art studios, and art instructors. Approximately 30,000 visitors attend our exhibits or events annually. The VAC membership and visitor numbers are growing. As the VAC grows, the customer base for the Art & Supply Store will also grow.



Competition

There are many competitors for art supplies both online and in the local market. Online competitors such as Amazon, Dickblick and Jerrysartarama offer low pricing, fast delivery and free shipping. Arts and crafts specialty retail stores such as Michaels and Hobby Lobby offer discount and sale pricing with convenient online web shopping. Retail outlets and chains such as Staples, Office Depot and Walmart carry a limited selection of art supplies and offer buying convenience at a low price. Many of our competitors offer products at a more competitive price than the VAC will, however, they are not likely to carry exactly what is needed in the right quality or quantity to match the class requirements. Our competitive edge will be through the professional level of product quality, product knowledge, customer service, convenience and value pricing. Snack bar items can be purchased anywhere in the local market or brought from home, however the convenience of picking up a snack on premises is unique to the VAC, as are the VAC logo items and onsite storage locker rentals.

Why Us?

The primary advantages of buying art supplies from the VAC will be ease and convenience, as well as supporting a community nonprofit organization. Mission is at the heart of everything we do at the VAC, and it's another unique reason why students can feel good about registering for our classes AND buy their supply kits, art materials, and logo merchandise directly from us rather than from another local retailer or online store.



Class Supply Kits: The advantage we offer our students is that we can custom design a supply kit tailored for each class without the need to search through online websites or pound the pavement. It is easy and convenient, and the student gets exactly what is needed for class

without any uncertainty or difficulty in choosing what to purchase. The kits will be available for purchase at the time of enrollment in one stop shopping or at any time before class begins, in person, by phone or online. It will be difficult for online competitors, retail outlets, chain stores, local art studios and local retail competitors to be able to replicate what is needed in class supply kits without the inside knowledge of what classes are being offered, exactly what should go into each kit, when certain kits will be needed and how many kits will meet the demand.

Basic Art Supplies: VAC basic art supply inventory will be related to a class or consist of a limited selection of some of the most common items used by artists on a regular basis. Most experienced artists and VAC Members have found online discount stores for the majority of their art tools and supplies, and are not likely to switch on a general basis unless the items are competitively priced. They may consider shopping in the VAC Art & Supply Store for convenience when they run out of generic supplies, or may purchase items to support the VAC as a nonprofit organization. Customer service will be a primary differentiator from online competitors and retail outlets and chains.

VAC Logo Items: The only place you will be able to get cups, glasses, aprons, calendars, license plate frames, and more with the VAC logo will be at the Visual Arts Center. Logo items will be unique to the VAC and it is unlikely that an online competitor, retail outlet, chain store, local art studio or local retail competitor will have any interest in marketing VAC logo items to their customers.

Loyal Customer Base: The VAC is a community nonprofit organization with a loyal customer base. Members, students and visitors look for ways to support the organization, and purchasing class supply kits, art supplies and logo items will be viewed by many customers as another way of supporting the arts and the organization.

Advantages:

- Built-in Customer Market
- Ease & Convenience
- Value & Discount Package Pricing
- Supporting Nonprofit Mission
- Co-branding and Integration into Current Marketing Plan
- Website & Mobile Online Sales
- Integrate into Existing POS and Online Sales System



Expectations

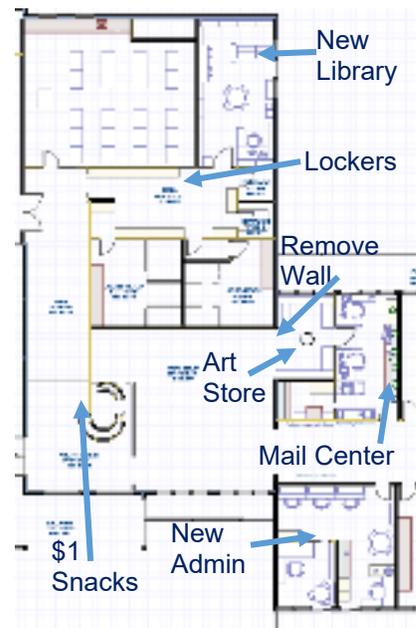
The VAC requires approximately \$90,000 annually to support its mission in addition to the revenue it earns from its classes, exhibits, artwork and gift shop sales. About half is supported through sponsorships, business partnerships and advertising. The remainder must be raised each year from the community. The long-term goal of the VAC is to be able to cover 100% of its operating costs from its programs and offerings and use community support to enhance facilities and programs.

Space Realignment

The initial plan was to enclose an outside porch off the main reception area to gain about 325 square feet for the Art & Supply Store. While checking into required government approvals, we discovered that adding more than 100 square feet of air conditioned space to the VAC would trigger a Florida Building Code requirement to add fire sprinklers to the entire 12,000 square foot VAC facility, at an estimated cost in excess of \$60,000. This did not seem practical, so we looked for ways to reconfigure our existing space to accommodate the Art & Supply Store.

A plan was designed to accommodate the Art & Supply Store, plus improve our education, administration and library activities, providing solutions for challenges that will likely carry us operationally for the next five years without the need for any additional major renovations. The cost of the space realignment truly adds value, and is estimated at \$25,000 less than the cost of the fire sprinklers.

The space realignment will require us to move the library, administrative office and add a classroom to replace the classroom space that will become the new library. The current administrative offices will become the Art & Supply Store requiring the wall between the gift shop and the current administrative offices to be removed, a storage area for inventory to be added, a space for preparing kits and preparing packages for mailing, and showroom space for art kits, art supplies and logo items. A \$1 Snack Bar will be added adjacent to the front desk reception area in the main hall. The \$1 Snack Bar will include a rolling (on wheels) double refrigerator unit that serves as a snack bar counter and can be relocated within the VAC to accommodate special events. Two café tables will enhance the hallway and provide a space for artists to meet and collaborate over a cup of coffee. Lockers will be added to the back hallway off the main gallery and be available on a monthly or annual rental for Members. Details and drawings can be found on pages 16 to 19 of the Business Plan.

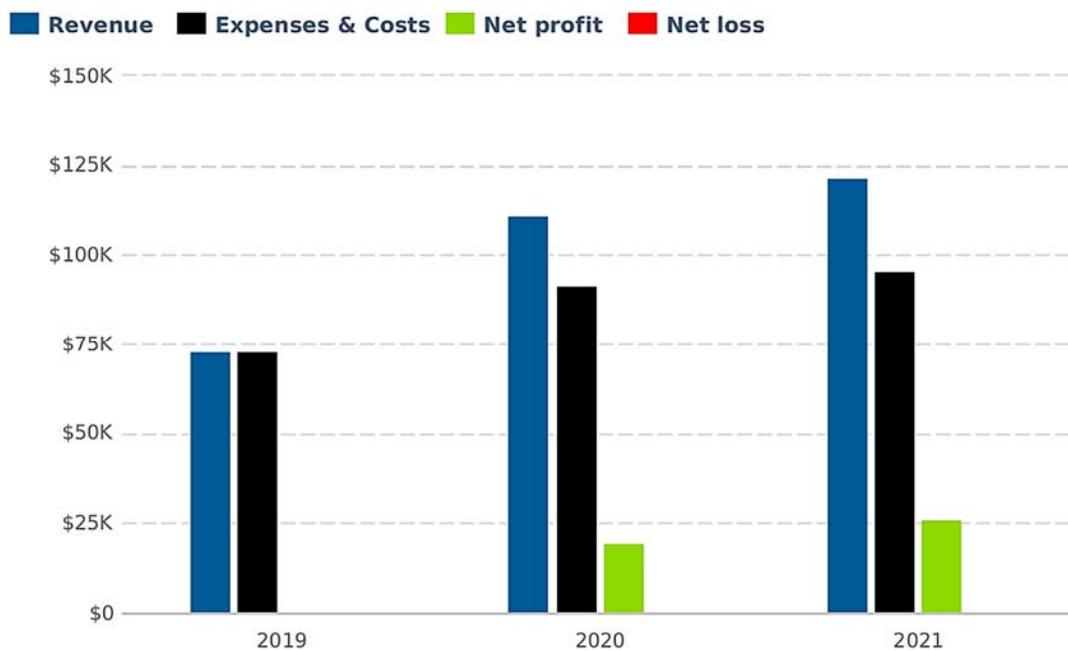


Forecast

Once stabilized, the Art & Supply Store is projected to earn approximately 50% of what is currently needed for the VAC to become operationally sustainable.

Financial highlights by year are presented for the three-year period 2019 to 2021. The charts show gross revenue potential after 3 years of approximately \$120,000 annually with direct costs of \$50,000 (60% gross margin). The forecast projects a net profit, after depreciation and amortization and a VAC shared cost allocation, to break even the first year, grow to \$20,000 the second year and stabilize at \$25,000 the third year (20% net margin). The Art & Supply Store investment payback is projected at less than 4 years with the total project payback in 5 years, using net revenue from the Art & Supply Store, exclusively.

Financial Highlights by Year



Revenue and Expense by Month projections are on page 45 of the Business Plan. Profit and Loss Statement, Balance Sheet and Cash Flow projections are on pages 50 to 52 of the Business Plan. A detailed 2019-2021 Financial Forecast is in the Appendix.

Financing Needed

The Art & Supply Store, and the reallocation of space to accommodate the store, will require \$125,000 to be raised in start-up funding beginning mid-November and fully funded by January 31, 2019. To meet the goals of the Margin & Mission Ignition Initiative, the desired timing is to have the Art & Supply Store in place at the start of high season in January 2019.

Start-up Funding: Funds will need to be raised and in place no later than mid-December to enable construction to occur during the time between December 22nd and the first of the year, when the VAC can be closed. Outreach to the community and potential supporters will be initiated in mid-November and extend into this year's Giving Tuesday campaign on November 27th, which will be used to support this initiative.

Start-up Funding Components: The full investment required to create the Art & Supply Store and relocate the library, administrative offices, and classroom to accommodate the Art & Supply Store within the VAC current facility constraints is estimated at \$125,000. The investment in the Art & Supply Store construction, inventory, supplies, equipment and fixtures is estimated at \$90,000. The additional \$35,000 is estimated to complete the relocation of the library, administrative offices and classroom that must be moved to create the Art & Supply Store space.

\$ 20,000	Store Inventory
7,000	Store Equipment
10,000	Lockers
5,000	Opening Advertising & Promotion
32,000	Advance Salary Support for 18 months
16,000	Store Construction
<u>35,000</u>	Other Construction (library, administrative offices, classroom, storage)
\$125,000	Total Start-up Funds Needed

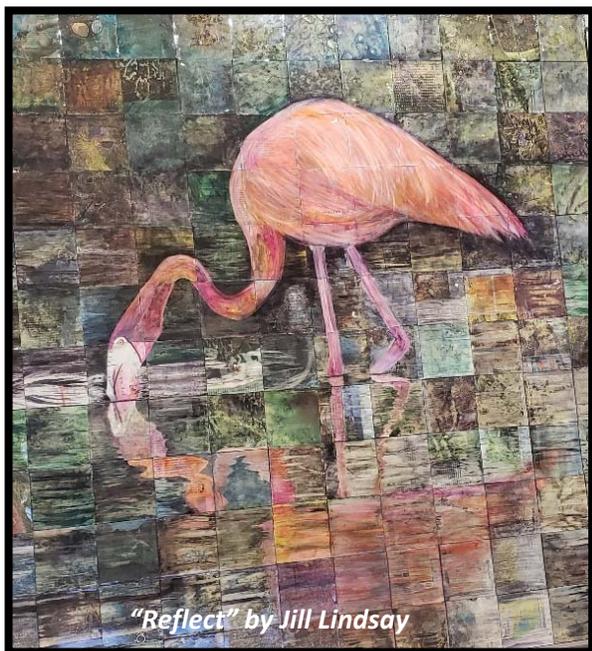
Project Timing: If the \$125,000 in needed funds can be raised before mid-December 2018, construction can be completed in time for a January 2019 opening of the Art & Supply Store. If funds cannot be raised in time, supply kits can begin being offered in January 2019 to select classes, however, the construction timeline will be postponed until after season, with the next full operation window postponed until September 2019.

Construction Timing: If sufficient start-up funding is raised, the relocation of the Library will occur in November, the relocation of Administrative Offices in early December, and the removal of the wall between the Gift Shop to create the Art & Supply Store, Inventory



Storage Area, Kit Building Area, and Postal Mailing Area will occur between December 22nd and January 2nd. The construction of the Art & Supply Store area is contingent upon the successful relocation of the library and administrative offices first. If all start-up funding is in place by mid-December, installation of an additional classroom in Goff Gallery and the lockers can also occur. If partial start-up funding for construction is received, but not sufficient start-up funding for the entire project, the additional classroom and lockers will be postponed until funding is received and most likely be pushed back until after the 2019 season so classes and workshops are not interrupted during high season when the VAC is at capacity.

Back-up Plan: In the event we are not able to raise sufficient funds for construction before mid-December, Art Supply Kits for a select group of Fine Arts classes in Watercolor, Acrylic and Oil (approximately 800 students annually) will be offered in January from within the current Front Desk and Gift Shop area until the Art & Supply Store renovations can be completed. The \$1 Snack Bar will be in place in time for the January 3rd through the 5th VAC Open House. The locker installation and replacement classroom will be postponed until funding is available.



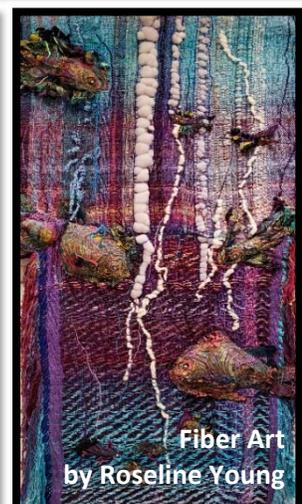
"Reflect" by Jill Lindsay



Photography by Mike Fortier



*Jewelry
by Tamara Hager*



*Fiber Art
by Roseline Young*