

ArtWorks and KidWorks Retail Business Plan

Submitted by the
Arts Council of New Orleans

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EXECUTIVE SUMMARY

Louisiana ArtWorks, a 90,000 square foot cultural facility, will open in New Orleans in March 2004 with the one-of-a-kind celebration only New Orleans can create. The Arts Council of New Orleans has led the proud effort of citizens, artists, the City of New Orleans, and the State of Louisiana to create this unique showcase for the visual arts. The facility will feature four large shared-studio workshops with state-of-the-art equipment, one each for ceramics, metal, glass, and printmaking. Artists can rent time in these studios or one of fifty individual studios. The projected 250,000 visitors can observe artistic activity in the large studios workshops from overhead catwalks, or stroll through the artists' studios, drop in the exhibit gallery, participate in hands-on "make and take" demonstrations, or attend a film or presentation. Some visitors will simply sit in the main lobby and watch the forging of art in the ArtYard, a glass-enclosed outdoor space where the kilns and metal furnaces are housed.

Opening directly onto this lobby will be a major feature of the attraction, the **ArtWorks** retail store. Nearby is a second store, **KidWorks**, designed for the young visitor. These two retail stores, each unusual in concept and design, will play an important part in how visitors experience this major cultural attraction.

ArtWorks, the primary store with 2,720 square feet of selling space, will offer a wide range of high-quality products made or inspired by Louisiana artists and artisans, including works made in the on-site studios. With a current database of 1,250 artists and a unique Artist Outreach program, **ArtWorks** will acquire art products from artists throughout the state's rural areas and small towns, as well as use commercial sources to offer products for a broad range of customers. Inventory will vary in a range of \$20 to \$75. Some one-of-a-kind products will be priced above \$250. The smaller **KidWorks**, 620 square feet, will mainly offer interactive, lower-priced, arts-related products for the youth market, ages 2 through 12. This inventory will be priced primarily below \$10 with an assortment of higher priced items.

The stores are carefully developed and positioned in terms of the industry, the market, and the local competition. Within the first 24 months of operation, the **ArtWorks** store will develop ArtWorks Connections, a fee-based consulting service to provide designers and their clients with access to artists available to produce custom-designed work.

The economic climate of New Orleans offers the stores access to a strong retail marketplace. The city is a popular visitor destination known for its creative lifestyle and artistic contributions. Over 8.5 million people visit New Orleans each year, with 80% coming for pleasure. Repeat visitors are 57% of the total with a median of five visits per person. Visitor spending in 2000 was \$443 per visitor for a total of \$5.2 billion.



Hand thrown, Raku fired ceramic vase
by Bruce O'Dell, Lafayette, LA \$35

New Orleans visitation is remarkably constant throughout the year, showing very little of the seasonality that occurs elsewhere. Since 1990 there has been a doubling of conventions held in New Orleans combined with an annual visitor growth rate of 4% and a visitor spending growth rate close to 9%. Despite a weakened national economy, the number of convention center visitors during 2001 and 2002 held steady at 1.3 million.



John Scott designed, Thomas Mann produced. (\$65 each) Small nickel pins

In addition to visitors, the city's resident population (primary and secondary) is over three million. Together, visitors and residents provide a potential market of 11.7 million for Louisiana ArtWorks and its stores. Based on these and other research data, a study by Economic Research Associates projects that the complex will attract 250,000 visitors yearly.

In their first full year of operation, 2005, the stores will generate net sales of \$764,000. They will earn a net profit of \$55,000, which, in addition to paying \$44,000 rent to the parent organization, will generate a total financial benefit of nearly \$100,000.

Louisiana ArtWorks is located in the Downtown Warehouse and Arts Museum District, a rapidly developing urban office, residential, hotel, and entertainment district. The facility is four blocks from the new Convention Center and within easy walking distance of the French Quarter, the Mississippi Riverfront, the National D-Day Museum, the Contemporary Arts Center, the Louisiana Children's Museum, and the Ogden Museum of Southern Art.

Louisiana ArtWorks is prominently located on Lee Circle, a well-known landmark in downtown New Orleans. The **ArtWorks** store occupies a prime corner with storefronts on two major thoroughfares, Howard Avenue and Carondelet Street. This is the corner where the world-famous St. Charles Avenue streetcar, with 6 million riders yearly, makes its turn toward downtown from the Garden District. This streetcar stop, directly in front of the store, is being developed as the "Art Stop".

The stores' design is by Waggoner & Ball, a New Orleans firm known for successful store interiors, with lighting design by Anne Militello of Vortex Lighting in Los Angeles. The **ArtWorks** store occupies a charming space, built in 1915 as a retail showroom with large, floor-to-ceiling display windows on the two street sides. It has an entrance from the street as well as a large entrance from the lobby. The **KidWorks** store has an entrance from the lobby and a storefront and entrance from St. Joseph Street, which will be used for school bus loading.

By providing a marketplace for artist-designed and artist-made objects, these stores embody the Louisiana ArtWorks mission of making visual arts accessible to a broad public. For reasons of mission as much as for financial reasons, these stores are crucial to the success of Louisiana ArtWorks. The retail business expresses the project's intent and purpose by placing the work of Louisiana artists into the everyday world of human interaction and transaction. The stores demonstrate the appeal and purpose of art works in a simple, direct, person-to-person way. By doing so, they will provide artists and the public with common ground and a shared marketplace.

BUSINESS DESCRIPTION

Retail Stores

ArtWorks, the main store described in this business plan, will offer a wide range of artist-designed commercial products and one-of-a-kind items made by Louisiana artists. All products will relate in some fashion to the visual arts. The initial product mix is expected to be 50% gift items, 25% jewelry, 10% theme and logo related, with the remainder books, media and paper goods. This store will have 2,720 sq. ft. of sales space in an ideal corner location with easy pedestrian, vehicle and streetcar access.

Artist-designed and commercially manufactured products will be priced in the low (\$1 to \$20) to mid-range (\$20 to \$75) and will be primarily targeted at the tourist market. One-of-a-kind, artist-made products will be sold for higher prices (\$75 to \$250) and will appeal to both tourists and resident customers. Finally, for collectors, there will be some higher-priced objects in the \$250-950 price range.

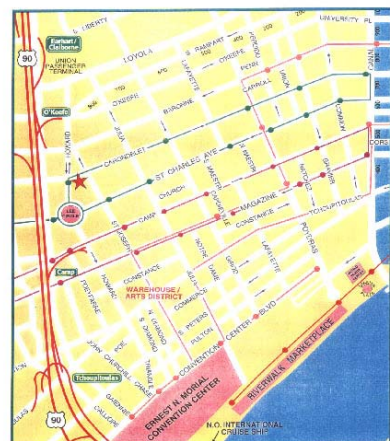
KidWorks, the smaller 620 sq. ft. store, will feature arts-related products suitable for the youth market ages 2 through 12. These products will be priced mostly in the lower price range (\$1 to \$20) with some products from \$20 to \$100. The product mix for this store will be 45% toys, 15% impulse and logo items, 15% costumes, 10% jewelry with the remainder books, art supplies, kits and puzzles. While the **KidWorks** store will offer some artist made products, it will mostly include commercial products that encourage creative play and interest in the visual arts.

Location

The retail stores will be advantageously located on Lee Circle in the Downtown Warehouse Arts and Museum District in New Orleans, a rapidly developing housing, office and entertainment district, four blocks from the nation's fourth largest convention center. The stores will also be within easy walking distance of Bourbon Street and the French Quarter, the Mississippi Riverfront, the National D-Day Museum, the Contemporary Arts Center, the Louisiana Children's Museum, and the soon to open Ogden Museum of Southern Art.

The **ArtWorks** store is extraordinarily well-located in the Louisiana ArtWorks complex on a prominent corner with full display window storefronts and an entrance on Carondelet Street, a main New Orleans Street. The famous St. Charles Avenue Streetcar, with six million riders a year, passes by the display windows and stops right in front of the store at "the Art Stop." In addition to the street entrance, the **ArtWorks** store has a large entrance in the Lobby where a projected 200,000 visitors a year will encounter the store. The **KidWorks** store has an entrance from the Lobby, as well as a storefront and street entrance on another major thoroughfare, St. Joseph Street, which will provide visiting school groups with easy exit for bus loading.

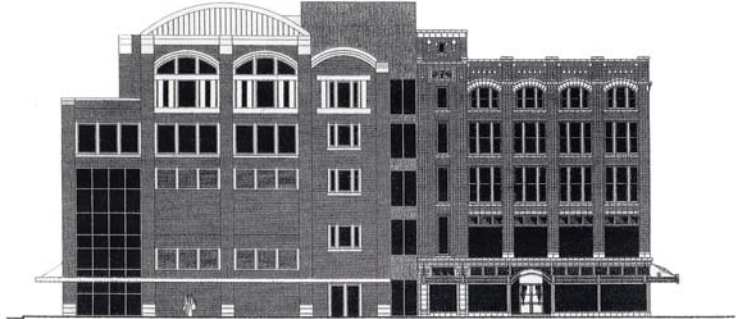
★ Louisiana ArtWorks



725 Howard Avenue
Downtown New Orleans

Louisiana ArtWorks

The **ArtWorks** and **KidWorks** stores will be housed within the Louisiana ArtWorks facility which is 90,000 sq. ft. complex currently under construction in New Orleans. The purpose of the Louisiana ArtWorks project is to create a closer relationship between the public and the visual arts. The Louisiana ArtWorks facility has been designed primarily as a visitor attraction. The following describes how Louisiana ArtWorks will attract visitors, many of whom will become customers of the store:



Carondelet Street elevation of Louisiana ArtWorks

- From catwalks with informative exhibits, visitors to this historic building will view artists at work in four large shared-studio workshops, one each for ceramics, metal, glass, and printmaking. The ArtYard, a glass-enclosed workspace containing kilns and metal furnaces will be located in the lobby as the visual focus of the facility.
- Interactive demonstration areas, a hand-on activity room and an exhibition gallery will be part of the visitor experience. Public programs will include lectures, classes, demonstrations, films and special events. Each year Louisiana ArtWorks will celebrate four themes with events programs, displays, changing exhibits and activities base on the theme. These activities will result in new theme-based merchandise for sale in the **ArtWorks** and **KidWorks** stores.
- Two commercial tenants: an art supply store and a café/catering service, will attract their own market.

All of these uses will attract customers to the store.

There are three primary reasons that the Arts Council of New Orleans decided to create the **ArtWorks** and **KidWorks** stores.

- **The retail stores will advance the parent organization’s mission to expand economic opportunities for local artists by creating new retail channels for their work.**
- **The stores will help nurture a stronger relationship between the public and the visual arts by offering a wide range of well-designed, affordable products.**
- **Most importantly, proceeds from the stores will become one of several financial sources to support the diversified revenue strategy of the Louisiana ArtWorks project.**

Customers

The Louisiana ArtWorks complex, and hence the **ArtWorks** and **KidWorks** stores, will attract customers from both the visitor and local resident markets.

Visitors are attracted to New Orleans for its rich diversity and the vitality of its cultural and artistic lifestyles. It is no surprise that for the past five years *American Style Magazine* subscribers have ranked New Orleans as a top twelve U.S. arts destination. Eighty-percent of the City's more than 8 million annual visitors, come to the Big Easy for leisure or for business and pleasure.

In recent years, New Orleans has become a premier location for conferences (1,335,000 million conference visitors in 2002). The major reason is that New Orleans knows how to have fun, and does it with flair. Anyone who has walked through the French Quarter at any time during the year (and at any time of the day or night), or visited New Orleans during Mardi Gras or the Jazz and Heritage Festival will testify to that. Part of that flair comes from the City's rich artistic traditions, traditions that Louisiana ArtWorks, and the **ArtWorks** and **KidWorks** stores, will contribute to as well as reflect.

In addition to out of town visitors touring the Louisiana ArtWorks attraction, the **ArtWorks** and **KidWorks** stores will also attract residents who work or live in the surrounding neighborhoods. Currently, almost 90,000 people work in the Central Business and Warehouse Districts, and more than 3,000 reside in this neighborhood.

Visitor and Sales Projections

An economic feasibility study prepared by Economic Research Associates estimated stabilized annual attendance at Louisiana ArtWorks at 250,000 visitors. This conclusion was derived from an assessment of the total "cultural" visitor market for New Orleans (3.7 million visitors), and the projected penetration rate for Louisiana ArtWorks that will yield 7% based on existing art-related attractions and museums.

These estimates were confirmed from the 2002 Museum Retail Industry Report, which is published by the Museum Store Association, the trade association for this industry. The Report indicated that cultural attractions in a metropolitan area of one million residents will support a median yearly attendance between 250,000 and 300,000.

Local evidence of the willingness of visitors to attend museums during their stay in New Orleans is supported by the recent experience of the National D-Day Museum, which is located a few blocks from the Louisiana ArtWorks complex. In its first year, 2000, that museum attracted 350,000 visitors, surpassing estimated projections by 25%. Subsequent years have also surpassed expectations.

Since cultural attractions tend to have a larger attendance for the first two years before leveling off for the third year (considered to be the baseline year for stable attendance), Louisiana ArtWorks has conservatively estimated attendance at figures somewhat lower than suggested by the above data sources.

Finally, annual sales for the two stores were estimated based on both industry data and specific results for nearby attractions. The Museum Store Association reports that for art museum stores of the size and attendance projected for the Louisiana ArtWorks complex, median sales per visitor were \$4.44. Note, that figure is per visitor rather than per customer. Locally, the gift shop at the National D-Day Museum reports net sales per visitor of \$4.35.

Based on these findings, this business plan projects the Louisiana ArtWorks annual visitor attendance and store sales figures as follows:

	<u>Attendance</u>	<u>Sales/visitor</u>	<u>Gross Sales</u>
Opening Year (10 months)	205,500	\$4.00	\$822,000
Second Year (12 months)	210,000	\$4.12	\$865,200
Third Year (12 months)	190,100	\$4.24	\$806,024

Sales Projection Comparison Chart

Louisiana ArtWorks	National D-Day Museum	Museum Retail Industry
Year 3	Year 3	
Attraction visitors plus drop-in customer: 190,100	Attraction visitors (includes drop-in customer): 300,000	Cultural attraction visitors in a metro area w/population of 1 million: 300,000-250,000
Sales per Visitor \$4.24	Sales per Visitor \$4.35	Median Sales per Visitor \$4.44

Product-Customer Match

Because the main focus of the visitor attraction is to encourage interaction between visitors and artists at work, there will be an unusually close correlation between the visitors' experience and the retail stores' products. This will follow the principle described in Richard Caves' book, *Creative Industries*: "The joys of consuming visual arts swell from direct contact with the objects themselves." Both the store and the visitor experience will create this direct contact. Display techniques and in-store-merchandising strategy will provide opportunities for customer contact with the objects.

Store design, lighting and fixtures in the **ArtWorks** and **KidWorks** stores will be planned to enhance the inherent visual and sensory appeal of the merchandise. Sales staff will be knowledgeable about products, artists and methods of production. Marketing will stress the originality, variety, and sensory appeal of products as well as the lifestyle enhancement they offer.

Project Support

The Louisiana ArtWorks project has grown out of the successful Arts Business Center (recipient of the 1999 National Business Incubation Association *Incubator of the Year Award*) opened in 1992 by the Arts Council of New Orleans as Phase I of a long-range incubator program designed to serve the needs of artists and arts organizations. The Louisiana ArtWorks complex represents Phase II of this program, designed to serve the public, individual artists and arts organizations while strengthening community economic development.

For twenty-eight years, the ACNO has received strong support from industry. It will continue to rely on these sponsors for guidance and financial participation. Sponsors include the Entergy Corporation, Bank One, Freeport-McMoRan, BellSouth Telecommunications, Inc., Chevron-Texaco, Shell Oil Foundation, the Zemurray Foundation, Harrah's Jazz Casino Company, LLC, and

many more. In addition, a network of professionals generously contribute their time and money to support the development of this effort.

The State of Louisiana has allocated \$6.75 million, and the City of New Orleans \$750,000, for the construction of the Louisiana ArtWorks facility in recognition of its significance as an economic development project.

INDUSTRY ANALYSIS

Most products sold in the **ArtWorks** store will be objects for the home, for gifts, and for personal use. The market for art products and one-of-a-kind objects is a niche market that actually draws from several market areas: art market, home products market, gift market, and museum stores market.

To evaluate the ability of the **ArtWorks** and **KidWorks** stores to attract customers, an analysis of the stores' industry and key niche markets was undertaken. This was done by: reviewing the national markets for art-related retail products, for home products, for gifts, and for museum-shop products; evaluating market demand for these products from visitors to New Orleans and from local residents; and finally, contrasting these product niches with these customer groups, and identifying the primary sales factors that will determine retail success.

As the boundaries between fine arts, applied arts and contemporary crafts become increasingly blurred, (for example, the American Craft Museum in New York City recently changed its name to the Museum of Arts and Design), trends show a growing interest in quality design and decorative arts. This interest is reflected in the growth of the home products market, the art market, and the gift market. This niche market is further supported as sales at art museum retail stores are increasing, according to the Museum Store Association.

Art Market

A current survey of print and broadcast media reflects an increasing public awareness of art and designed objects as a part of everyday life. The consumer market for art was \$31.7 billion in 2000, growing 6% from the previous year. An estimated 48 million U.S. households, or 44% of total households, reported purchasing some kind of art, print, or poster in that year.

There is a growing, educated consumer market willing and able to spend money for artwork. “A key demographic variable that distinguishes buyers of art is higher levels of education. This also correlated strongly with increased household income levels. With 28% of adult Americans over 25 years of age having completed four or more years of college, up from 24% as recently as 1990, the prospects for the art market look bright for the years ahead.” (Pam Danziger, *The Art Market Report 2001: The Market, The Industry, The Trends*.)

A recent *New York Times Magazine* article also addresses this point. “In the era of customized consumer capitalism, distinction is mass-produced, and connoisseurship has been democratized...Like the food revolution, the design revolution is built on the lovely paradox that what is special should be available for everyone’s enjoyment and that good taste can at last shed its residue of invidious social differences.” (A. O. Scott, Special Issue on Design, 12/1/02).

Home Products Market

Home products represent an even larger national market. American consumers are spending an increasing share of their disposable income on their homes. This market exceeded \$585 billion in 2000, and despite the downturn in the economy, is still growing at a rate of more than 8% per year. Today's consumers have so many choices that they can literally surround themselves with home products to match their values, tastes and personal preferences.

“The home has become the most desired status symbol for Americans, and as such, a growing portion of American families discretionary spending is budgeted for the home. The home market has been transformed from a largely functional to a fashion business, thus allowing consumers to dress and decorate their houses like they dress and accessorize themselves.” (*Home Report, 2001: The Market, The Competitors, The Trends.*)

Gift Market

In 2001 total sales for the gift industry in the U.S. was \$54.6 billion. Although there was a general decline of 1% in the overall industry, home decorative accents reached \$16.9 billion in sales, with a 2.2% growth. A recent industry report predicts that gifts and home accents will continue to grow over the foreseeable future. “As lives become more ‘virtual’ and dependent upon computers and technology, consumers will seek out gifts and decorative accents which will help ground them in the ‘real’ world. This trend will play itself out through continued emphasis on multi-sensory stimulation in home décor; gourmet cooking, wine tasting and home entertaining; new focus on garden and outdoor ‘living room’ and the consumers’ desire to get in touch with their personal cultural heritage through collectibles and decoration.” (*Growth Trajectory in Giftware Market Stalls in 2001.*)

The Museum Store Market

The museum retail industry (MRI) has grown steadily over the past twenty years. The Museum Store Association has 1,755 member stores with 21% of those members being art museum retail stores. The *2002 MRI Report* lists art museums’ net sales (gross sales less returns and allowances) ranging from \$3,000 to \$5.2 million, with a median net sales of \$150,000. The **ArtWorks** and **KidWorks** stores’ projections support the information in the MSA report.

Sales Factors

Since the niche market for **ArtWorks** products draws from the art, home products, and gift market, the following are sales factors:

Appeal to a young demographic. The highest level of purchasing incidence is found among the young, ages 18 to 45. (Art Publishers Association Market Survey, website 12/5/02). Two groups that will be important to target are young working people and families with children under the age of 18, as these customers are often setting up homes and defining themselves through their lifestyle. They are also more open to new ideas and possibilities. The visitor operations, programming and marketing of the Louisiana ArtWorks facility will target this segment for retail customers. Advertising and store displays will reflect the interests of this group.

Strength of multi-person households. Living in a multi-person household, especially those with children under the age of 18, is positively correlated with art purchases. (APA Market Survey). The Louisiana ArtWorks attraction will cultivate the family audience with programming and events. Having the **KidWorks** store as a supplement to the **ArtWorks** store will bolster appeal to this group.

Attracting those with disposable income. With the highest arts purchasing incidence found in households with an income above the \$50,000 level, it is important to focus marketing on these households with expendable income. (APA Market Survey).

Importance of word-of-mouth. An important sales recommendation is, "Get the Buzz Out." Just as word-of-mouth is the critical element in the success of an attraction, it is the number one way U.S. households regularly get information and home decor ideas. In general, those in more affluent and highly educated households seek out design and decorating ideas and tips, including information on art. (APA Market Survey). The **ArtWorks** and **KidWorks** stores will need to create their own "buzz." Fortunately, the products offered for sale are the types of products that can generate positive word-of-mouth. Good staff training for relaying information and actively interacting with customers will be a corner stone of the sales strategy.

Give consumers "permission" to buy. Consumers need an "excuse" or "justifier" to spend money on art, according to APA. Some ways to encourage customers are to: stress ease of access; make art products part of lifestyle; create a relaxed atmosphere for approaching the art; make art approachable through limited and careful use of art terms; make information easy and available; encourage customer responsiveness and likes; and stress the acceptability of changing surroundings, ideas, and products.

Every single person entering the retail stores is made to feel welcome and that she/he is able to participate and enjoy the products for sale. The stores will make art products accessible to all, and the staff will establish and maintain an atmosphere that says to the customer, "Your responses to our products matter. You do not have to be an art expert to shop here. We want to learn from you, and we are happy to share what we know with you. We love the work, and we appreciate the people who made it."

Support customers' reasons to buy. Research shows that simply liking the art or the theme of the art piece ranks as the number one reason art buyers purchase a piece of art, closely followed by consumers who are decorating their homes. **ArtWorks** customers should be encouraged to freely express their "likes" and find support for their individual response and choices. An art work purchase is often an impulse-driven decision. Display, lighting, and the easy support and guidance of the sale staff can play a role in fostering this decision.

Offer items at differing price points. Everyone wants to have "nice" surroundings regardless of their income level or discretionary spending capability. The stores will offer a full range of art work from less expensive products to more expensive, with most falling in the range that can be afforded by younger buyers.

Strong product presence throughout the Louisiana ArtWorks facility. Art work will permeate the Louisiana ArtWorks complex, appearing along the tour pathways, in wall and lobby displays, in the cafe, etc. The more that works of art are incorporated everywhere in the facility, the more customers are stimulated to have a response to it and to visualize such products as being part of their living environment. This will promote the appeal of the products in the store.

Product Quality and Distinctiveness of Store Merchandise.

The direct link from the products to the artists who create the work will aid in the sale of the retail stores' merchandise. Not only is the customer purchasing an artwork that appeals to them, they are also purchasing knowledge of the person who made it and some understanding of the process by which it was created. Having just viewed artists at work in the Louisiana ArtWorks facility, visitors will be able to take something away with them that will forever remind them of the creative process. The specificity of the work as to the artist and place of creation will be a distinct selling point.



**New Orleans Cock Roach -- \$10
Sand cast glass by Mitch Gaudet,
Studio Inferno**

Themes and special events. The Louisiana ArtWorks complex and programs will organize its activities around four themes each year. These themes offer opportunities for the stores to provide change and innovation in terms of advertising, display, and products. This can encourage repeat business. In addition, the Louisiana ArtWorks complex will participate in special events occurring in the City and the Warehouse District.

MARKET ANALYSIS

New Orleans entertains more than 11 million locals and visitors attracted by its lifestyle, cultural activities and creative products. Not only is the City's name synonymous with musical creativity and presentation, New Orleans also boasts a wide array of creative economic generators. The Magazine Street area is an established destination for decorative arts shopping. The French Quarter and the Garden District are highly regarded destinations for those interested in architecture, gardens, urban design, and decorative arts. The City's restaurants are famous for their creative distinction.

New Orleans' history as a center for creative innovation is well established. Arts courses in local schools and universities are well regarded and provide a strong infrastructure for economic efforts based on creativity.

Because of New Orleans' history, its image and reputation, Louisiana ArtWorks and its **ArtWorks** and **KidWorks** stores are in an advantageous position to participate in this established, but growing "creative" economy.

The neighborhood where the **ArtWorks** and **KidWorks** stores are located is part of the City's efforts for economic development in this sector. The Warehouse Arts and Museum District, known as one of New Orleans' most cosmopolitan, is specifically focused on arts, culture, and tourism. In the last five years, the area experienced significant growth with new construction and renovation of residential complexes, stand-alone residences, nine new hotels, and a new public park. An addition 70 housing units will be functional by opening. With housing in the \$225,000 to \$1.5 million price range for this District, these residents have disposal incomes considerably above the average (New Orleans 24/7, Inc. 2002). The rapidly growing District has several galleries, the Contemporary Arts Center, the Louisiana Children's Museum, the National D-Day Museum, the Convention Center, and the soon-to-open Ogden Museum of Southern Art, all within easy walking distance of each other.

Further development for this area can be found in full time efforts of the Downtown Development District (DDD). The DDD has begun a \$27 million capital improvement program to develop and improve the infrastructure and appearance of Canal Street in the adjoining Central Business District to encourage businesses, including retail.

With widespread identification of New Orleans as a creative community and the focus on the downtown Central Business and Warehouse Districts as an area grounded in the "creative" economy, the **ArtWorks** and **KidsWorks** stores are well positioned for success.

Visitor Market Potential

New Orleans offers another strategic advantage for the **ArtWorks** and **KidWorks** stores: a strong visitor market built on the City's lifestyle, culture, ambiance, and reputation for creativity and good living.

In 2000 the local and visitor market numbered 11.6 million. Visitor spending was \$443 per visitor for a total of \$5.2 billion, making the visitor service industry a multi-billion dollar business for the community. Most encouraging, since 1990 there has been a doubling of conventions held in New Orleans, combined with an average annual visitor growth rate of 4% and a visitor spending growth rate close to 9%. There are about 2.5 million business trips each year to New Orleans, of which half

of them to attend a conference or convention. Of particular value to the stores' success is that about 30% of business travelers extend their stay by an average of two nights for leisure activities. Despite the weakened economy, the number of Convention Center visitors during 2001 and 2002 held steady at 1.3 million. (Growth of the New Orleans Tourism/Visitor Market, 1990-2002; Report for Downtown Development District, N. O., LA, Economic Research Associates, August 2000; New Orleans 1999 Area Visitor Profile, University of New Orleans).

Visitors do not come to New Orleans only for business. Eighty percent of overnight trips to New Orleans are for pleasure rather than business. About half of pleasure trips were for visiting friends and relatives, and another 16%, or 1.6 million visits, were to attend for special events such as Mardi Gras and the Jazz and Heritage Festival. The City itself was the third major motivation for pleasure visits at 13% or 1.3 million. Fifty-three percent of visitors listed shopping as an activity they participated in. One third of visitors report an annual family income above \$75,000. Finally, research suggests that, unlike most US cities, there is minimal seasonality in visitation rates to New Orleans. This makes New Orleans something of a rarity in tourism. (Report on Travel & Tourism in New Orleans 1999, Longwoods International for the New Orleans Tourist Marketing Asso.).

Resident Market Potential

New Orleans is a good-sized city with the 2000 census reporting a Metropolitan Statistical Area population of 1,337,726 and a ten-parish (county) population of 1,482,240. This statistic is supportive of the Louisiana ArtWorks complex and its **ArtWorks** and **KidWorks** stores since the 2002 MRI Report found that art museums tend to be in larger metropolitan areas with a population of at least one million residents.

The Economic Research Associates (ERA), an independent international research firm which conducted the 2001 Economic Feasibility Study on the project, estimated New Orleans 2001 resident market at approximately 3,000,000 with the 2004 resident market slightly larger.

2001 Primary Market (0-50 miles):	1,525,000	2004 Primary Market:	1,538,448
2001 Secondary Market (50-100 miles):	1,471,000	2004 Secondary Market:	1,505,872
Total:	2,996,000	Total:	3,044,320

Projected Market Penetration

The ERA study estimated the total available market for the Louisiana ArtWorks attraction at about 11 million, of which 3 million are residents and 8.5 million visitors. Of this total market, the potential cultural visitor market is estimated at about 3.7 million. Existing New Orleans art-related attractions and museums showed a penetration of the total resident and visitor markets that ranged from 1% to 3%.

The ERA's first year Louisiana ArtWorks attendance projection of 300,000 visitors represents a market penetration rate of 2.83 percent, with the estimated stabilized attendance of 250,000 representing a penetration rate of 2.27 or about 7% of the potential cultural visitor market. ERA believes these projections are realistic and achievable. "The proposed project will be new and more interactive than the museums; therefore, it is reasonable to expect a slightly higher penetration".

Competitive Analysis

The **ArtWorks** and **KidWorks** stores will take their place among existing galleries and museum stores in the city; however, there are no stores in New Orleans exactly like them. There are stores that carry products somewhat like the merchandise in the **ArtWorks** and **KidWorks** stores, but comparison shopping by ACNO staff proved that the variety of products and price points currently offered in similar stores is very narrow. The **ArtWorks** and **KidWorks** stores will offer a wider range and diversity of products that are not available in the New Orleans market. The retail stores will also offer a variety of price points, addressing the need for art-related products in the \$20 and below range and the \$250 and above range for collectibles. Also noted by our comparative shoppers was the need for sales staff training, as most often the art retail staff in stores visited were either unable or unwilling to speak knowledgeably about the products.

In addition to galleries and gift shops, retail shops taken into account in exploring the local market and competition included:

- RHINO Contemporary Craft Company
- Historic New Orleans Collection Store
- Louisiana Children's Museum.

RHINO Contemporary Craft Company

RHINO (Right Here In New Orleans) Contemporary Craft Company most closely offers a product line similar to what will be available at the **ArtWorks** store. Open Monday – Saturday, 10 a.m. to 7 p.m., RHINO showcases contemporary Louisiana crafts and craftspeople educating the public about their work, raising awareness of their value and stimulating interest in their world. Products carried in RHINO include ceramics, glass, jewelry, metal, wood, fiber, paper, sculpture and print; with prices ranging from \$16 to \$4,500. Of note, one of RHINO's artists maintains their website, which is quite appealing although it is not set up for online sales.

RHINO, in operation for about 15 years, is a nonprofit cooperative organization with 70 Louisiana visual artist members. It has only one paid staff who functions as a store manager, with artists who are on the RHINO Board functioning as the “collective executive director.” According to Lucianne Carmichael, a founding member who is on the board, this structure does not necessarily serve the organization well as it poses the problem of “too many chefs in the kitchen.”

The store features a member-artist on duty every day to talk about his or her particular craft. Artists who only provide merchandise receive 50% of the selling price of their products. Artists can receive as much as 75% of the selling price of their products if they actively participate in staffing the store. The more they work the greater their percentage of the sale.

Local residents are the primary customers. Store locations have always been in downtown New Orleans; however the sites have always been donated or discounted space. Their first store (800 sq. ft.) is in a highly trafficked tourist area at the foot of Canal Street, but the store is off the beaten path in a corner on the third floor of a touristy mall next to a movie theater. RHINO just recently opened a second small store on a main drag in the French Quarter (500 sq. ft.). It is leasing this space and seems to be doing much better in attracting more tourists in this location. “In the past they have just scraped by with the tourists.” (Carmichael interview). Unfortunately, without access

to skilled, experienced staff to manage RHINO, there is little or no marketing to promote the stores. This problem is heightened because of the first store's difficult location.

RHINO annual sales hover around their goal of \$400,000. "Some years they make it and some they don't." (Carmichael). With the new location in the French Quarter, RHINO hopes to surpass this goal.

Historic New Orleans Collection Store

The Historic New Orleans Collection store, a museum store, is twenty years old with 50% of the product mix from reproductions of items seen in the museum, with the remainder being seasonal products and books about the City and State. Located on Royal Street in the French Quarter, the manager Diane Plauche says approximately 50% of customers are tourists. More locals come in to buy for seasonal shopping and holidays, with locals most likely to be repeat customers. The store carries about \$150,000 in inventory with price points from \$1 to \$700, and annual sales of \$175,000. Considering the \$1,500 annual marketing budget, Plauche thinks the store does well. The store is open Tuesday - Saturday 10:00 a.m. to 4:30 p.m.

Louisiana Children's Museum Store

The Louisiana Children's Museum Store (800 sq. ft.), a fifteen year old museum store, carries merchandise from \$1 to \$100 which reflects the exhibits and is "child-centered and educational in nature." Located a few blocks from the Louisiana ArtWorks facility, executive director Julia Bland estimates the customer base to be mostly residents. Because of its location in close proximity to the Convention Center, tourists do come by the store to shop, but without going to the museum. The store's annual sales are approximately \$250,000. There is only minimal marketing done for the store and that is done in conjunction with the marketing for the museum. The store is open Tuesday - Saturday 9:30 a.m. to 4:30 p.m.; Sunday 12:00 p.m. - 4:30 p.m.; Monday (summer only -- for school groups, not the public) 9:30 a.m. - 1:00 p.m.

Noteworthy is the fact that the nonprofit organizations' retail stores listed above did no systematic customer marketing/development.

Competitive Positioning

The **ArtWorks** and **KidWorks** stores must find a balance between being a profitable business and being the project of a nonprofit organization (the ACNO and Louisiana ArtWorks) dedicated to serving the interests of all arts endeavors – both public and private – in the City. Understanding the competitive environment and how to find a position within that environment is necessary to the success of the retail stores. Here is how the **ArtWorks** and **KidWorks** stores will position themselves:

- The two stores will function not as galleries, but as "museum" stores, (located within a visitor attraction). There are such stores in many New Orleans attractions, so this type of retail operations is an accepted part of local retailing.
- The stores will provide information as well as products. Sales personnel will be trained to convey information about the arts, the artists, and other cultural and arts venues, (including private galleries and arts-related businesses) in the neighborhood and around the City. In addition, this information will be readily available electronically and in print format.

- The educational purpose of the stores will be reflected in merchandise intended to promote and encourage interest in and appreciation of visual arts as well as providing one-of-a-kind art works for sale, a distinct departure from the purpose and operations of a gallery.
- The **ArtWorks** and **KidWorks** stores will target a general public while galleries provide more services to collectors and connoisseurs. Merchandise found in galleries, therefore, is likely to be in a much higher price range than most **ArtWorks** and **KidWorks** products.
- Although there is a growing trend toward convergence of fine arts, applied arts and contemporary crafts, the nature of the four large shared-studio workshops will incline the merchandise sold in the store toward products based on ceramics, metalwork, glass, and printmaking. Other visual arts products will be included, but these would be less prominent. Many of the galleries may show work in depth and/or from a concentrated area, such as glass, while the **ArtWorks** and **KidWorks** stores provide more of a representative selection.
- The stores will emphasize a broad cross section of artists from an ever-changing roster of artists. Exposure of artists to the market will have ascendancy over an in-depth presentation of an artist's work.
- Artists living and working in Louisiana will produce the original art offered in the stores. This is a marked difference between these stores and other galleries that are free to obtain work from a wider base of production.
- The stores will not establish exclusive relationships with artists. The artists are free to place his/her work in other venues as well as with the **ArtWorks** and **KidWorks** stores. This will lessen competition with other venues in terms of particular artists. If the artist has work in the **ArtWorks/KidWorks** stores and a nearby gallery as well, this will be complementary.



**Bruce O'Dell, potter
Lafayette, Louisiana**

Success Factors

These factors will contribute to the success of the **ArtWorks** and **KidWorks** stores:

Success of the Visitor Attraction. The Louisiana ArtWorks attraction projects a stable year visitation of 190,100. These visitors are the primary customers for the stores.

Products. The appeal of original art works produced by a named artist in a specific location is a strength. The quality and appeal of the products is important to retail success.

Effective Store Management and Buying. The Retail/Manager Buyer will have a strong sense of the store's mission as well as the mission of Louisiana ArtWorks and in addition to being experienced in retail business. The Retail/Manager Buyer will possess confidence, energy, stamina, interest in people, and ambition to succeed, all needed to bring the stores from start-up to profitability. It is important that the Retail/Manager Buyer has knowledge of art products, an ability to talk easily and well with both artists and the public, and - most important - a good eye and a good sense of suitable products across a range of price points.

Store Atmosphere, Display and Lighting. The store products will be displayed in units designed for them with concern for customer appeal and interaction. Special attention has been given to lighting design because of its importance for product display.

Quality of Sales Staff and Training. Because of the stores' mission and the nature of their merchandise, staff will be chosen on the basis of a genuine interest in the products, purpose, and theme of the store. The staff will need training about the artists and products, in addition to store procedures and protocol. The sale personnel will be able to relay information about what is sold in the store.

Success of Events Rental Program. Event rental spaces in the complex are very attractive areas featuring outdoor terraces with excellent views. New Orleans places special emphasis on events, both for residents and for visitors. Many conferences and conventions augment their business sessions with events held at various sites in around the City. Louisiana ArtWorks will be an important venue for event rentals, with a projection of more than 12,000 people attending events each year at the complex. Although the **ArtWorks** store will be open during some rentals, when the store is not open, the shop displays will entice guest to return and shop.



**The ArtYard is located adjacent to the ArtWorks Store
This space is available for special event rental.**

Effective Store Marketing and Promotion Program. The retail stores will be presented in the attraction marketing conducted by Louisiana ArtWorks. They will have their own marketing strategies, plan, and budget, and will develop tie-in campaigns for the attraction's four-themed strategy and its public programming. The stores will benefit from marketing tie-ins to themes and events in the City (established events like Mardi Gras and the Jazz and Heritage Festival as well as less frequent events such as the SuperBowl). Warehouse Arts and Museum District events (such as White Linen Nights and Art for Arts Sake as well as any one-time opportunities) offer additional promotional and marketing. The **KidWorks** store will tie promotions to school and holiday schedules. Marketing will capitalize on the New Orleans lifestyle and culture to boost its reach and effectiveness.

Good Financial Performance, Monitoring, and Reporting System. The electronic financial system used for Point of Purchase, inventory control, and other accounting will produce daily reports. Consistent and thorough monitoring of such information as merchandise sales, selling patterns, customer data and profile, expenses, inventory, etc. will be done. Weekly and monthly reports will give a fast and accurate view of the stores' performance and financial status, so that trends and problems can be identified quickly and course corrections made.

Flexibility. The organizational and operational structure will be flexible for the store to adapt to unforeseen changes as the attraction becomes established. It is likely that the merchandise mix for the first year might need to be re-thought and adjusted for the second year market, as the attraction market changes, thus changing the customer market. Monitoring will reveal patterns in various areas as they develop, and flexibility will allow management to quickly make the necessary adjustments to those patterns, in terms of merchandising, marketing, staffing, expenses, etc.

Success of Café. A successful cafe will strengthen the stores by:

- establishing a certain Louisiana attitude: relaxed and with a sense of play and daring.
- showcasing the stores' emphasis on art incorporated into daily living and lifestyle.
- attracting residents and workers from downtown Districts for meals and refreshments, thus bolstering the retail stores' visibility to people in the area.

MARKETING PLAN

The purpose of this retail effort is to generate profit in support of Louisiana ArtWorks. This is done by knowing your customers, attracting them, encouraging them to make purchases, and retaining their loyal support. The **ArtWorks** and **KidWorks** stores' Marketing Plan is the response to this challenge.

Pricing Strategy

In the industry, there is no standard rule for pricing merchandise. This is even more pronounced when the products are art works. The actual pricing of products in the **ArtWorks** and **KidWorks** stores will be decided on an item-by-item basis. The following guidelines will direct this process:

- Lower-priced products can stand a higher markup. However, locating lower price point merchandise of an acceptable quality is a challenge. The **ArtWorks** store's lower-end merchandise should be no less distinctive than its higher-end merchandise.
- Branded and more common products usually require a standard markup.
- Products developed by/created in the Louisiana Artworks complex will likely support a higher markup.
- Expensive merchandise often benefits from a lower markup.
- Balance needs to be struck between impulse items and collectibles. There will be sufficient products at varying price levels in order to serve the diverse customer base projected.

Customer Profiles

Based on studies of the market and plans for the entire Louisiana ArtWorks complex, the following customer segments have been identified. Merchandise will be selected to appeal to each customer profile and the marketing plan will create strategies, actions, monitoring systems and benchmarks focused to reach these customer segments.

Retail Customer Profile Chart:

RETAIL CUSTOMER PROFILES	<u>Estimated # and % of 200,000 visitors</u>
<u>A. Visitor Customer Segments</u>	
Visiting conference & convention attendees and their families	34,000 (17%)
Tourists visiting N.O. area	26,000 (13%)
Cultural tourists seeking historical And cultural experience	50,000 (25%)
Annual and Special Event visitors	10,000 (05%)

B. Resident Customer Segments	Estimated # and %
Resident arts related community	4,000 (.2%)
Resident families	20,000 (10%)
Resident w/visiting friends & family	30,000 (15%)
Resident in small groups on social outings	10,000 (05%)
Resident urbanites	10,000 (0.05%)
Resident/workers of Warehouse District	4,000 (02%)
Resident Opinion leaders & Activists	1,000 (0.05%)
Resident who work/visit complex for business/ Special events (not necessarily paid admission)	1,000 (005%)

Staff Sales Strategies

The staff of Louisiana ArtWorks, including the retail stores (both paid and volunteers) reflect the entrepreneurial spirit of the Louisiana ArtWorks in the eyes of the public. They will be trained to be active with customers by providing a welcome, helpful, observant and resourceful atmosphere. They will learn ways to let the customers safely interact with the objects for sale. Training will include learning about:

- Louisiana ArtWorks and its many (and changing) offerings
- basic information about the different regions of the state as well as information about artists located throughout the state
- the two stores' product lines and how the products relate to the visitor experience
- provide quick accurate, interesting information on the products found in the two stores, including price, selection, and background of merchandise.

Merchandise Presentation Strategy

The Art Publishers Association research indicates that art products often are an “impulse” purchase, chosen simply because the customer likes the piece or the theme of the piece. To promote a sense of “liking,” store displays will be appealing. Lighting will be very flexible and easy for staff to change and modulate. To trigger a sense of “theme”, some displays will be artistic vignettes – appealing arrangements that tell a story. Display techniques and in-store-merchandising strategy will provide opportunities for customer contact with the objects. Anne Militello of Vortex Lighting, an internationally recognized lighting designer, is designing the lighting for the stores.

Communications Plan

Since the **ArtWorks** and **KidWorks** stores are part of the Louisiana ArtWorks complex and the ACNO organization, much of the communication efforts will be accomplished jointly. The ACNO has already begun work. In 1999, the ACNO conducted two general focus groups to collect feedback on the public's perception on the concept of the Louisiana ArtWorks complex and its programs. Based on this research and other information gathered, the ACNO prepared a three-year comprehensive communication plan in 2000 in anticipation of the opening of Louisiana ArtWorks and its two retail stores. The plan incorporates a tiered system to deliver innovative market-specific messages needed to attract and hold visitors to Louisiana ArtWorks attraction.

- **Direct Mail** -- All solicitations and correspondence from the ACNO will include reference to Louisiana ArtWorks and the two retail stores and what benefits the recipient will receive. We will also use these opportunities to drive the recipient to the website for up-to-the-minute news on Louisiana ArtWorks and any special offers.
- **Media/Advertising** -- The marketing communications plan is built on diverse advertising strategies. During the first flight of the plan, which focused on general support of the arts, the following media were utilized: billboard display, streetcar advertising, and bus back advertising. Also, print ads were placed in the free weekly publications, target publications like Arts Quarterly of the New Orleans Museum of Art, Preservation in Print, New Orleans Tribune, and other publications targeting our audience demographic and psychographic. This would include Where Magazine, Gambit (free local weekly and Native Guide). Capitalizing on the ACNO's nonprofit status, we were able to leverage at least a one-to-one match of all media purchased giving us twice the reach and frequency.



Image from "Making the Arts Matter" media campaign

This same media mix and approach to market Louisiana ArtWorks and the **ArtWorks** and **KidWorks** stores will be used. The stores will secure additional marketing targeted specifically to the important customer segments. Advertisements will appear in magazines aimed at leisure and convention travelers such as Where Magazine, Visitor Magazine, and N. O. Magazine. These publications are selected because they focus their distribution to the market our research has shown will be most likely to shop in the retail stores.

The stores will participate in a co-operative, multi-million dollar regional and national advertising campaign purchased through the N. O. Metropolitan Convention and Visitors Bureau and the N. O. Tourism Marketing Corporation. Both entities have focused new national campaigns on the cultural tourist and leisure visitor. These efforts allow the stores to be vital parts of the marketing mix and strategy needed to capitalize on the marketing budget for the entire ACNO currently valued at over \$500,000 annually (including leveraged media). The stores will be included in these marketing efforts. The amount designated for separate marketing of the stores is \$25,000 or roughly 5% of gross sales for the first year, then \$10,000, or roughly 1% for the two following years.

- **Promotions** -- All promotions will be based on opportunities presented. Promotions will tie-in to events and themes being presented in the City and/or at Louisiana ArtWorks. There will be special shopping promotions, such as a special "Kids Only Christmas Shopping" event where only children are allowed to make purchases in **KidWorks**. Or "Moonlight, Magic and Music", a shopping, visiting, and dancing evening in the **ArtWorks** store and facility lobby for members and guests.
- **Trade Shows and Conferences** -- Louisiana ArtWorks will maintain a presence at the Louisiana Travel and Tourism Summit, a statewide effort by the Department of Culture Recreation and Tourism to focus on the variety of offerings for visitors to our state. This is an opportunity for attractions to see what others are doing and for the travel planners to know what options exist for the leisure visitor.
- **Word-of-Mouth** -- New Orleans is a small town as metropolitan areas are measured and the opportunity to spread the word about the retail store offerings will be great. We will be active in our promotion to the hospitality industry and to meeting and convention planners.
- **Endorsements/testimonials** -- During the first year of operations, a public service advertising campaign, "Discover Louisiana ArtWorks!", will feature recognizable and interesting local people of different ages (including children) and different walks of life, who will relate a discovery she/he made at the new attraction.
- **Cause-Related Marketing and Corporate Partnerships** -- The ACNO pursues an active and intensive partnership with corporations and other donors. Promoting the retail space as an economic driver to the regional economy is an important component to securing corporate support.
- **ArtWorks Outreach Program Marketing Support** -- Artists will be promoted through the stores information kiosk and printed materials. The retail operations will also take advantage of the of artisans networks that already exist in Louisiana, i.e. opportunities provided by Louisiana ArtWorks will be touted through the Louisiana Crafts Guild is statewide membership and through the Louisiana Division of the Arts' Crafts program. These types of promotions and market opportunities would actively recruit and promote from artists throughout the state, and will be the only such partnership in Louisiana.
- **Partnership with the New Orleans Tourism Marketing Corporation** -- Louisiana ArtWorks will be a major partner with the New Orleans Tourism Marketing Corporation's (NOTMC) new national niche campaign for museums and galleries. (See appendix).

Opportunities for Growth

Starting an entrepreneurial effort requires planning for growth. A conventional retail business is successful when it grows by enlarging the original space and/or creating other stores at different locations. Neither of these traditional growth patterns is appropriate for the **ArtWorks** and **KidWorks** stores. The building complex will not accommodate an enlarging of the retail space. Instead, the retail stores have identified three other pathways to expansion and growth.

Increase sales per visitor – As products are tested and customer profiles refined there is opportunity to better match products to customers and increase the sales per visitor. While projections have been based on \$4.24 sales per visitor, it is expected that the average sales

per visitor will be higher at **ArtWorks** than other cultural attractions because of the products offered and the nature of the visitor experience. This is based on retail activities at similar attractions. For example, the store at the Wheelwright Museum of the American Indian in Santa Fe shares similar features with the **ArtWorks** store in that it has strong relationships with artists who supply original and designed work, and has strong regional ties.

The Wheelwright store has higher than average sales per visitor. Although recent figures have not been released by the Museum, data from 1988 shows at the time, the sales per visitor was \$32. Recent conversations with the Store Director confirm that performance has been consistent and a high sales per visitor is still achieved at that store. This example illustrates the likelihood that the **ArtWorks** store, with astute merchandising and realization of visitor projections could achieve sales of \$10-\$15 dollars per visitor, indicating growth.

ArtWorks Connections – Because of the treasure trove of information available through the ACNO Visual Artists Registry database (1,250 Louisiana visual artists) and ArtWorks Outreach Program, the **ArtWorks** store will offer a fee-based service for design professionals and their clients and other interested persons. This consulting service will help those in need of custom design work or objects, and find artists and artisans who will work with them on their project. ArtWorks Connections will be the “matchmaker” facilitating the contact between the public and those able to produce the work. The need for this service was noted at the ACNO’s Fresh Art Festival when numerous artists were asked to take on custom design projects by shoppers. This program will be introduced on a test basis to see if and how it progresses. Such a service could be delivered in several different ways, such as one-on-one consulting, offering of information kits for purchase, online services, etc.

Product Development – This area presents real potential growth. With the wealth of resident artists and design talent available to work with through the Arts Council of New Orleans, there is every reason to pursue research and development in the area of original product creation. This would be supported by the equipment resources in the four shared-studio workshops, with products made in the four mediums, glass, ceramics, metal, and print. The ACNO has already taken steps in this direction by developing some art pieces as gift items for supporters and to sell in support of the Capital Campaign. The success of these efforts supports the concept of developing more extensive product lines.

Wholesale Products – Louisiana ArtWorks could develop a wholesale business to supply quality products to other museum stores. According to the Museum Store Association, “One of the more pressing challenges facing museum store managers is locating lower price point merchandise of acceptable quality. [Museum] store’s lower-end merchandise should be no less distinct than its higher-end merchandise.” The **ArtWorks** store will research providing some quality lower-end merchandise in addition to the higher-end products it develops, primarily through its shared-studio workshops/studios. As a member of the Museum Store Association, the **ArtWorks** store could market such products through the Museum Store Association Annual Expo.

Website and online store – A website for the **ArtWorks** and **KidWorks** stores will be explored. Considerations will include: a separate retail website vs. links to the Louisiana ArtWorks and the ACNO website; and whether it is an information source and a selling site—or just an on-line store. The Museum Store Association states there are three main “legs” to an e-retailing platform: institutional support, retail resources and technological capabilities -- all things to be considered if growth is chosen in this direction.

MANAGEMENT PLAN

In developing the mission, strategic plan and initial pro forma, the ACNO has worked closely with artists, community business and arts organizations, the city of New Orleans and the state of Louisiana, and design and museum consultants, and architects. Louisiana ArtWorks is a full institutional member of the Museum Store Association, and the **ArtWorks** and **KidWorks** stores will be closely modeled on the Museum Store Association's recommended management and operational guidelines.

An experienced, professional full-time Retail Manager/Buyer will assume responsibility for managing all of the retail operations. This position will be filled in September 2003 (projected opening March 2004). Reporting to the Director of Louisiana ArtWorks, the Retail Manager/Buyer will have full operational and decision-making responsibility for the **ArtWorks** and **KidWorks** stores. This manager will be responsible for the policies and operations of the stores as well as serving as primary buyer, in addition to ongoing monitoring and modification of product mix and daily operation to assure maximum profitability. Under his/her supervision, the Assistant Manager/OutReach staff person will identify artists and resources throughout the state and will buy products from them. This person will be hired in November 2003. A full time financial support person will be added to the staff in January 2004 to support the anticipated increase in financial transactions associated with the retail operations.

The equivalent of four full-time sales personnel will be hired and trained in February 2004 to handle day-to-day customer service, supplemented by trained volunteers. All security and maintenance operations will be handled by Louisiana ArtWorks facility staff with general administrative and marketing support provided by ACNO staff. As a project of the ACNO, the ACNO's Board will hold ultimate governing authority for Louisiana ArtWorks.

Louisiana ArtWorks complex and the **ArtWorks** and **KidWorks** stores build upon the established 28 year ACNO track record for exceptional non-profit management. Although conceived as a separate entity, the complex and the retail stores will benefit from the ACNO's existing administrative, marketing and support infrastructure.

Key Staff

Key supervisory staff includes ACNO President/CEO Shirley Trusty Corey and Louisiana ArtWorks Director, Stephen Lee Lanier.

President and CEO of the Arts Council of New Orleans Shirley Trusty Corey

Since becoming President and CEO in 1991, she has begun a number of new initiatives including the Arts Business Center, an Arts and Tourism Marketing study, a summer youth arts training program for economically disadvantaged youth, and the Louisiana ArtWorks project. An arts administrator in the New Orleans Public Schools for almost 30 years, Ms. Corey has spearheaded many programs of national recognition, which includes the New Orleans Center for the Creative Arts, which she founded in 1975. Now in its 28th year of operation the Center is a pre-professional training program in the arts for high school students.

Ms. Corey has served on numerous state, regional, and national arts panels/commissions, including her recent presidency of the Urban Arts Federation, an alliance of arts commissions in the top 50

cities of the United States. She has a B.S. degree from Loyola University and a M.A.T. degree in Theatre from Tulane University. In 1998, she was inducted into the College of Fellows of the American Theatre at the Kennedy Center. She currently serves on the National Board of Americans for the Arts and the New Orleans Metropolitan Convention and Visitors Bureau. The retail store is an integral aspect of the Louisiana ArtWorks, a project of the Arts Council of New Orleans. As CEO, Ms. Corey oversees all projects of the Council.

Director of Louisiana ArtWorks Stephen Lanier

Mr. Lanier joined the Arts Council as Director of Louisiana ArtWorks in September 2002. As Director, Mr. Lanier will be responsible for overseeing and implementing Louisiana ArtWorks' mission and for developing all programming for the new facility including exhibitions, educational outreach and services for artists. Mr. Lanier has nearly 30 years experience as an arts administrator with museums and a variety of cultural organizations. Most recently, he served as Director of the Delaware Center for the Contemporary Arts (DCCA) since 1990. Mr. Lanier will help position the **ArtWorks** and **KidWorks** stores for ongoing support and recognition as an economic development asset, successful retail venture and cultural attraction in civic, tourism, and governmental priorities.

OPERATIONS PLAN

The **ArtWorks** and **KidWorks** stores are designed to showcase the products and accommodate customers. The retail space and layout, merchandise process, product pricing, sourcing, and inventory management are elements important to successful retail operations.

Hours of Operation

The Louisiana ArtWorks attraction will be opened to the public on the following schedule:

Tuesday - Saturday	10:00 a.m. to 6:00 p.m.
Wednesday	10:00 a.m. to 9:00 p.m.
Sunday	12:00 p.m. to 5:00 p.m.
First Saturday	10:00 a.m. to 9:00 p.m.

The retail stores will be open in keeping with attraction hours, and on Monday from 10:00 a.m. to 6:00 p.m. These hours are in line with the MSA survey which points out that museums with more than 55,000 visitors per year are more likely to be open more than 54 hours per week.

Retail Space

The **ArtWorks** store will encompass approximately 3,200 gross square feet. This includes 2,720 sq. ft. of retail space. This space is located on the first floor of a renovated historic retail building, built in 1915 as the Bradford Furniture Company, that has been incorporated into the design of the Louisiana ArtWorks complex. The renovation for this building received the 2002 Award of Excellence given by the Association of Builders and Contractors.

The **ArtWorks** store is located in the restored furniture showroom space. This charming space includes such features as 8' high plate glass windows running along the entire length of two exterior walls. The glass is installed without vertical mullions and feature custom, curved-glass corner to provide an uninterrupted display presence. Above the display windows are restored multi-paned transoms featuring a combination of original ribbed glass and patterned glass. The main store is located on one side of the complex's lobby and opens directly onto that space. However, the store can be locked and secured separately.

According to the Museum Store Association 1996 Operations and Financial Information Survey, a facility with expected annual attendance of 200,000 should have a store size between 1,000 to 3,999 sq. ft. With 2,720 sq. ft. of selling space, the **ArtWorks** store is appropriately sized.

The **KidWorks** store is approximately 620 sq. ft. (Comparison, the Louisiana Children's Museum store is 800 sq. ft.). **KidWorks** is situated to the right of the lobby behind the ArtYard, a central attraction and visual focal point of the facility. The store does have a large display window and an entrance from St. Joseph St. a major New Orleans street. The store is located in what was originally one of the delivery bays of the St. Joseph St. Warehouse (1920), which has been renovated and incorporated into the Louisiana ArtWorks complex. This space has a floor-to-ceiling, multi-paned

window system that compliments the windows of the original building. This will serve as the storefront for the **KidWorks** store.

Storage for both stores (480 sq. ft.) will be serviced for delivery and pick up by a double loading dock in the renovated warehouse building. (See appendix for floor plan, photos, etc.)

Store Design

An New Orleans architectural firm specializing in retail stores, Waggoner & Ball, is designing the two stores aided by an internationally recognized lighting designer, Anne Militello of Vortex Lighting. A floor plan for layout of the fixtures is included along with photographs of the store design model. The furniture and equipment will be kept simple and unobtrusive as a framework for the products. Materials have been selected for warmth and sensory appeal. Furniture and lighting are light and modular, allowing maximum flexibility for the staff to make changes quickly and easily as required to display ever-changing products.

A unique feature of the **ArtWorks** store will be the ArtWorks Connection, a service area provided to facilitate contact between the public and those able to produce the work. This will be a space in the store where customers will sit with retail staff to research sources for custom designs and art.

The **KidWorks** store is designed to captivate a younger (ages 2 through 12) target audience, make them feel welcome, and provide opportunities for them to explore sample merchandise. The design will be predicated on respecting the young customer's interests and behavior while also appealing to the caretakers who shop for and with the children.

Merchandise

Products in the **ArtWorks** and **KidWorks** stores will include a wide variety of goods ranging in price from \$1 to \$950 with the majority of products falling in the mid-price range. All products will have one attribute in common: they will be well designed. In the **ArtWorks** store, artist(s) and artisan(s) will be involved in creating the product. While there will be artist-created and artist-designed products in the **KidWorks** store, there also will be an emphasis on products for creative activities. Since the Louisiana ArtWorks complex will feature programs and activities based on four different themes a year, the two retail stores also will offer a section of special theme-related merchandise in addition to logo merchandise.

Using the Visual Artists Registry Database assembled and maintained by the ACNO Public Art Department, store buyers will notify artists of the need for products and make arrangement for meetings in order to locate products and establish supply relationship with artists.

The Retail Manager/Buyer will initiate a product development plan using the resources of the four-shared studios workshops (glass, ceramic, metalwork, printmaking) to insure a supply of products for the shop from those studios. If other community resources are available to produce products at a necessary level and quality, these can be contracted with for products.

Based on these efforts, the Retail Manager/Buyer will revise the Merchandise Plan and Source List, set up a supply tracking system, and back up merchandising contingencies.

For planning purposes, merchandise categories and percentages from other museum stores were studied in order to identify merchandise categories and estimate percentages. These categories will be tracked daily in order to make quick adjustments in store merchandising.

Merchandise Categories

ArtWorks Store	KidWorks Store
5% - books/media	2% - puzzles
5% - paper goods	2% - musical toys
5% - soft goods	3% - kits
10% - theme/logo related	4% - art supplies (including recycled materials)
25% - jewelry	6% - books/media
50% - gift items	8% - puppets and dolls
	10% - jewelry
	15% - costumes, soft goods
	15% - impulse/logo items
	35% - other toys

The **ArtWorks** and **KidWorks** stores' products fall into that group of products that Emanuel Rosen calls "conversation products." In his book, *THE ANATOMY OF BUZZ*, he states that such products create high involvement among customers that cause customers to say things like, "I fell in love with it" or "It grabbed me". Other types of products mentioned by Rosen as creating "buzz" are products that link personal experience to the product and observable products (products with high visual impact). Merchandise in the **ArtWorks** and **KidWorks** stores have these qualities.

Store design, lighting and fixtures in the **ArtWorks** and **KidWorks** stores will be focused to enhance the inherent visual and sensory appeal of the merchandise. The staff, paid and volunteer, will be trained to be knowledgeable about products, artist, and methods of production. All marketing will stress the originality, variety, and sensory appeal of the products as well as the lifestyle enhancement they offer.

The products will be selected in relationship to the Customer Profile analysis (see page 21- 22), which will be continually refined and updated.

Product Pricing

Products in the **ArtWorks** store will have a wide range of price points from \$1 to \$950 with the majority of the products priced in the \$20 to \$75 range. The store will offer some inexpensive impulse and logo items (\$1 to \$25) as well as some higher-priced collectible products (\$250 to \$950). The **KidWorks** store will feature products ranging in price from \$.50 to \$100 with most products falling the range of \$1 to \$20.

It is intended to use the full keystone (50% or double wholesale) markup in both stores. However, the Retail Manager/Buyer can make exceptions in order to move merchandise or to make desirable products available when full keystone would not make the price competitive. In terms of collectible products (which will be part of the **ArtWorks** store inventory) pricing policy will remain flexible. Here it is possible to realize higher markups, but the pricing policy in this area must take into consideration the importance of building customer confidence and loyalty through reasonable pricing. Also, some of these high priced collectible items will be carried on consignment in order to avoid having capital tied up in the cost of expensive goods.

Sources/Supply

Consistent product sources are a key factor to the retail stores' success. The Retail Manager/Buyer is responsible for targeting and maintaining relationships with artists experienced in the steady production of products. The ACNO database of 1,250 visual artists will be an invaluable source of information in developing this supply source. Merchandise will be produced based on, but not exclusive to the four major shared-studio workshop of Louisiana ArtWorks: ceramics, metalwork, glass, and printmaking.

The ArtWorks OutReach Program will bring products from artists throughout the state in addition to those artists in New Orleans. The Assistant Manager/OutReach staff person will travel through the state to seek out artists and their work. This staff representative will meet with artists to purchase products and provide mentoring services in terms of the artists' development as self-employed entrepreneurs. The Assistant Manager/OutReach staff will provide for transport of purchased goods back to New Orleans, thus connecting customers to statewide artists, who might not otherwise be accessible. Products will be tagged with information about the artist, as well as the place he/she works.

A market test of artist-made goods was conducted by the ACNO when it held an open-air, two-day art festival, the 2002 Fresh Art Festival. Artists sold goods from over 75 booths at the location where the Louisiana ArtWorks complex is being built. By attracting approximately 14,000 customers and selling \$148,000 of merchandise, information was gained as to the kinds of products, the price points, and the mix of potential customers.

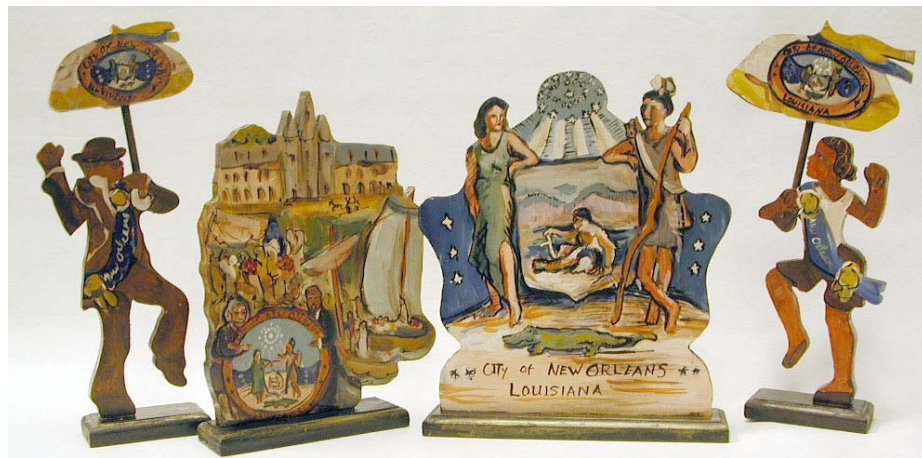
While the great majority of products will be produced by artists living in Louisiana, the Retail Manager/Buyer can select a limited number of goods by artists who work outside the state provided: those products fill a product need that cannot be found locally; and the artist has a connection to Louisiana ArtWorks through some kind of participation (lecture, master classes, film, demonstrations, etc.). In addition, merchandising categories will also be supplemented by artist-designed works produced by commercial sources.

Tracking and monitoring will provide invaluable information about products and sales. The computerized code used in the stores will aid in this effort. All suppliers will be given a number and their productivity and reliability will be tracked. At the same time, this system will allow each product to carry information on the artist who produced it.

In addition to products made or designed by artists or artisans, there will be other product sources:

- Products made in the Louisiana ArtWorks large shared studio workshops -- The shared-studio workshops will be in full operation during hours when Louisiana ArtWorks is open to visitors. During this time, the staff of Louisiana Artworks will develop a series of products to be created in the studio workshops by paid staff members. This will make it possible for visitors to see products being made which can be purchased in the shop. At the same time, it will provide experience for the staff working in the shared studio workshops.
- Creation and production of special products available only in the store -- In addition to the shared studio workshops' products, there could be products developed by individual artists especially for the store which could only be purchased there. Also, a line of gift boxes containing an array of products representing Louisiana creativity will be available in the store and by mail order.

- Guidance to Louisiana artists and artisans in order to develop steady sources -- This guidance, offered through the ArtWorks Outreach Program, will include customer response to products, access to necessary means of production, use of efficient of production methods, etc. This can be very useful to young artists and to artists who live away from the metropolitan region.
- Creation and production of products for wholesale to other related retail stores, including museum stores -- It is likely that special products created and produced for **ArtWorks** and **KidWorks** might be appealing to stores located in other states and cities. The Museum Store Association provides a market for cultural retailers to share such products.
- Licensing of designs for development of commercial products -- This is an area that offers much possibility. Natchez, Mississippi, and Charleston, South Carolina, are two cities with distinctive lifestyles that have used product licensing as a way to support cultural activities. New Orleans has similar lifestyle appeal. The ACNO has already demonstrated the viability of this by producing products made by artists for the Mayor's office to use as official gifts and by offering products for sale and promotion of cultural activities. Licensed designs are effective promotions as well as a revenue source. The stores, with emphasis on artists and creativity, will be in a strong position for licensing.



Created by artist Lorraine Gendron of New Orleans. These art products were designed as official gifts for the Mayor of New Orleans.

Inventory Management

This will be a key operational issue for the **ArtWorks** and **KidWorks** stores and one that will require thought and preparation by the Retail Manager/Buyer and staff. It will be important to have a process that keeps sufficient inventory without having too much invested in inventory on hand. Efficient tracking of sales and product performances are very important in terms of buying and pricing strategies. Given the particular artist-made products that will be the majority of the merchandising, this process will need to be carefully designed to suit this operation. Most of the work on this system will be done after the Retail Manager/Buyer is brought on board. However, certain principles will be part of the inventory system:

- Each item in the inventory will be tracked by a code system that will be used from purchasing through delivery, stocking, selling, and reporting.
- Computerized sales reports will be reviewed and analyzed daily to see what has been sold, in what quantity and at what cost. This will help to suggest if re-orders are needed.
- Monthly reports will track sales and return on merchandise in order to determine which items are selling well and to whom and which items need to be pushed out of inventory.
- Quarterly inventory reports will analyze patterns to anticipate busy/slow seasons, etc. and make necessary inventory adjustments and course corrections.

FINANCIAL PLAN

The Louisiana ArtWorks retail stores are a key component of a diversified income strategy for the operation of Louisiana ArtWorks. As an integral part of the parent Louisiana ArtWorks, the retail operation will benefit from the parent's administrative and marketing resources, which are not reflected in the retail operation's financial statements. Similarly, Louisiana ArtWorks, as a project of the Arts Council of New Orleans, will benefit from the Arts Councils' administrative and marketing resources.

Structured as if it were an independent operation, as part of the stores' contribution to Louisiana ArtWorks' operation, the retail stores will pay "rent" to the parent as well as generate profit. As reflected in the Income Statement, "rent" in the Opening Year (ten months) will be \$35,160 (based on a market rate of \$12 per square foot). Thereafter, rent is projected at \$43,602. Based on the experience of other start-up museums and attractions, Louisiana Artworks' – and, therefore, the retail stores' -- visitation is projected to decline 15% in the second year of operation, and 10% in the third, stabilizing at 183,600. Unlike the parent organization, the retail operation is projected to increase its "drop-in" market roughly 10% annually in years two and three from 5,500 in the Opening Year – bringing the total retail visitors base to 205,500, 210,000 and 190,100 in years one, two and three, respectively. Gross Sales are projected to increase by 3% each year.

Expressed as a function of per capita visitation, projected Opening Year Gross Sales of \$4 per visitor fall below the Museum Store Association's (MSA) \$4.44 average for art museum stores of similar size. According to the MSA's 2002 Museum Retail Industry Report, Gross Margin and square foot sales measures are similarly conservative.

The theoretical breakeven point for the two stores is approximately \$650,770 in net sales (Third Year Fixed Expenses/Gross Margin % -- \$279,831/43%). At that level of sales, the Gross Margin from product sales would cover all projected personnel and operating expenses, but generate no profit. (However the parent organization will still receive payments equal to rent for the stores). In practice, however, if sales were occurring at this reduced level, management would reduce personnel and other operating expenses.

Three key variables have been identified as significant in projecting the financial success of the retail operation: visitation (number of visitors to Louisiana ArtWorks, and therefore, the retail stores), sales per visitor, and cost of goods sold.

Number of Visitors

Sales projections are based on assumptions regarding the number of overall visitors to Louisiana ArtWorks, which are in turn derived from industry attendance statistics for comparable attractions, visitor and convention studies, and regional demographics. Third Year attendance is estimated at 190,100 visitors (183,600 visitors to Louisiana ArtWorks, and 6,500 drop-in visitors to the store). The table below illustrates the theoretical financial impact if actual visitation varies negatively by 10% and 25%.

	Projected	10% Off	25%Off
Visitors	\$190,100	\$171,090	\$142,575
Net Sales	\$711,477	\$640,329	\$533,608
Net Profit	\$25,646	(\$4,748)	(\$50,838)

In practice, however, if sales were occurring at these rates, management would take steps to reduce fixed costs and/or reduce the rent due from the retail stores.

Sales per visitor

Sales projections are also based on estimated Sales per Visitor. The theoretical financial impact if actual Sales per Visitor varies negatively by 10% and 25% would be the same as illustrated above for Number of Visitors.

Cost of Goods Sold

The projections assume a 44% Gross Margin, which is consistent, if not conservative, relative to industry standards. The table below illustrates the theoretical financial impact if actual Gross Margin varies negatively by 5 and 10 percentage points.

	Projected	5% Off	10%Off
Net Sales	\$725,579	\$725,579	\$725,579
Gross Margin	44%	39%	34%
Net Profit	\$39,958	\$3,679	(\$32,600)

Capital for build out, fixtures, furniture and equipment, as well as Start Up Year operating expenses will come from the public and private sectors in support of the parent Arts Council's Louisiana ArtWorks Campaign. As reflected in the Sources and Uses of Financing table below, an allocation of \$250,000 has been made for retail build outs -- including specialty lighting, casework, equipment, and signage. Of the overall \$25.8 million Louisiana ArtWorks Campaign, \$20.8 million has been raised or pledged at this time. This includes \$6.75 million from the State of Louisiana and \$750,000 from the City of New Orleans. The City also helped the Arts Council secure a \$7.1 million HUD loan for the project. An Inventory Loan will be established to fund initial inventory purchases (\$275,000) as well as an Opening Year Line of Credit (\$100,000) to provide working capital until the stores' opening in March.

Sources and Uses of Financing

	Build-Out	Initial Inventory	Working Capital	Financing Total
Louisiana ArtWorks Campaign Funds	\$250,000		\$50,000	\$300,000
Opening Year Line of Credit			\$100,000	\$100,000
Inventory Loan		\$275,000		\$275,000
Uses Totals	\$250,000	\$275,000	\$150,000	\$675,000

RISK ASSESSMENT AND CONTINGENCY PLAN

Since entrepreneurial endeavors always involve risks, it is necessary to consider what risk factors might be ahead for the **ArtWorks** and **KidWorks** stores. Based on both operational and external circumstances, identified risks include issues of merchandising decision-making; **KidWorks** store building location; monitoring, analysis, evaluation, and response; institutional flexibility; and growth opportunities. Each risk issue is presented here along with strategies for responding.

Risk Identification and Mitigation

RISK: Retail operations not given enough autonomy and shelter from nonbusiness pressure.

This retail venture will be conducted as a business with clear demarcation about its purposes within the Louisiana ArtWorks complex. It could develop that artists, staff, and the Board regard the **ArtWorks** store as a gallery whose purpose is to showcase work based on its artistic quality rather than as a business where goods must appeal to a buying public. This could put pressure on retail (from the ACNO staff and board and through Louisiana ArtWorks staff) to operate the shop more as a gallery rather than as a retail business. It is possible that artists could consider the retail operation as “moneychangers in the temple” rather than as a link to the public and a means of financial support for the entire organization. It is critical that the retail endeavor has the freedom to operate as a business, accountable in business terms of profitability, rather than as a forum on art or a vehicle for artists’ intentions.

RESPONSE: This is probably the greatest risk to the success of the enterprise. Artists and their work are the motivating force for Louisiana ArtWorks as well as the primary source of goods for the retail enterprise. Most artists do not have a clear understanding of retail operations, so they can perceive good business practices as ways to victimize them. If artists, staff or board members are allowed to exert great pressure on the retail operation or dictate the choices of merchandise, operational practices, marketing, etc., the retail enterprise could be so burdened that it would not function as a legitimate retail business. Therefore, the retail stores' operational structure must be established so there is a protective firewall between the Retail Manager/Buyer and such pressures.

The Retail Manager/Buyer will have the necessary authority to run the business for which she/he is responsible. Her/his charge is to produce a profitable enterprise. The problems of fostering careers of individual artists or providing a showcase for work that does not attract a purchasing public should be the responsibility of other Louisiana ArtWorks divisions (programs and exhibitions), but not the concern of the retail stores. This strong distinction must not only be built into the structure of the organization. It needs constant reiteration and reinforcement. In addition the Retail Manager/Buyer must be given control of merchandising and marketing for the retail efforts as well as a strong voice in all Louisiana ArtWorks facility marketing.

RISK: The Louisiana ArtWorks attraction fails to draw its projected stable visitation of 190,000.

This is another serious risk. While there is definitely a sizable potential audience for the Louisiana ArtWorks attraction, certain variables will have a profound effect upon attendance. Quality of the

experience, the ability to attract repeat visitation, adequate and effective marketing, efficient operations, attractive programs, special events, and exhibits – these are critical variables that will determine visitation and, therefore, customers. Another factor will be the café’s ability to attract District office workers while also providing a rest for visitors. Like most attractions, the Louisiana ArtWorks complex is likely to attract sizable attendance during its first year of operations as residents and tourists come to visit out of curiosity. If there is a rapid fall-off of attendance in the second year, this should be a matter for serious concern. The most crucial test comes in the third year when the attraction should reach a stable attendance level.

RESPONSE: Continually monitoring attendance to locate and diagnose problems and make course corrections is an important task to which the stores’ retail staff can contribute and should participate. At the same time, it is critical for the Louisiana ArtWork Director to have strategies in place for responding to attendance fluctuations, just as it is important for the Retail Manager/Buyer to be prepared to respond to attendance figures and visitor patterns. If visitor attendance is lacking, the Retail Manager/Buyer needs to have a marketing and promotion plan to focus more strongly on promoting the stores to both resident and tourists markets as a shopping destination, separate from visitation to the Louisiana ArtWorks attraction. Actually, this resident strategy can be employed regardless of attendance, but it will need to be more forcefully pursued if the attraction visitor attendance does not meet expectations.

Another strategy will be to concentrate on raising the median sales per visitor. This would mean aggressive use of customer profiling and reaching out to those customers interested in more expensive goods. It might be advisable to actively target those attending special events, either by keeping the store open or by having one or two merchandise carts available.

RISK: Customers do not make as many purchases as expected and/or do not spend as much per purchase as projected.

RESPONSE: The Retail Manager/Buyer and the retail staff will conduct daily monitoring of sales to track merchandise performance. The Retail Manager/Buyer will prepare a monthly analysis of buying patterns and detail the responses to this evaluation. Testing of marketing, display, and promotional strategies will be important. There will be a continual introduction of new merchandise and sales approaches tailored to various customer segments. The Retail Manager/Buyer will establish timed benchmarks for performance. Failure to meet these benchmarks will result in immediate actions in merchandising and operations.

RISK: The ArtWorks and KidWorks stores fail to bring in additional customers outside of those coming to visit the attraction or for special events.

RESPONSE: Since it is difficult to track these customers (outside of the planned zip code collection at the registers), the retail staff must be made aware of these customers and continuously monitor this response. A communication plan with Central Business and Warehouse District residents and workers will be part of the ongoing marketing effort for the store. Also, an effort to continuously target the larger resident market should be a primary focus of retail marketing (since the Louisiana ArtWorks attraction marketing will focus on the visitor market). It is expected that Louisiana ArtWorks complex will have events and programs that appeal to this customer segment. The **ArtWorks** and **KidWorks** stores will need to “piggy-back” on these programs with special retail promotions as well as producing retail events for especially this customer segment.

RISK: The ArtWorks and KidWorks stores find it difficult to keep sufficient merchandise to meet demand.

It may prove difficult for individual artists to produce work quickly enough or in enough quantity to provide adequate merchandise. Also, artists unfamiliar with business practices may find it daunting to work as a responsible supplier and a source of goods.

RESPONSE: The Retail buying staff (including the Assistant Manager/OutReach staff person) will work closely with individual artists, monitoring and evaluating each one's work process to diagnose supply problems and, together with assistance from the ACNO's Arts Business Center, help the artist find remedies. At the same time, there must be back-up merchandising plans to obtain goods for the store in other merchandise categories that could bridge any gaps in artist-produced products.

RISK: The ArtWorks and KidWorks stores find that competition from other related retail is stifling its performance.

If there is competition from other retail stores for artists' work where supply is limited, this could be damaging to the **ArtWorks** and **KidWorks** stores. At the same time, if other sources provide similar goods at lower prices, this, too, could be a problem.

RESPONSE: If such a situation should arise and cannot be readily solved, then the Retail Manager/Buyer needs to evaluate and revise the merchandising plan and strategy in terms of categories and percentages. This could mean increasing the category of artist-designed mass produced goods (such as those featured in museum stores as the Museum of Modern Art store in New York or San Francisco Museum of Modern Art) to bridge the gap until the problem is solved.

RISK: Expenses are outdistancing profits resulting in low margins.

Expense accounting in museum stores varies greatly. According to the Museum Store Association (2002 Industry Report), "Few stores are charged rent or utilities other than telephone for the purpose of calculating net profit (9% [rent] and 15% [telephone] respectively...In the largest [sales] category (\$500,000 or more in gross sales) one in five stores are charged rent." This means that the net profit margin will be effected by the way accounting procedures are structured. However, it is important that, once the accounting procedures are determined, the **ArtWorks** and **KidWorks** stores be held responsible for producing a reasonable profit margin. The **ArtWorks** and **KidWorks** stores need to produce net sales of at least \$711,477 each year. If the attraction draws 190,100 visitors (not including special events, program visitors, and school groups) in a stable state attendance, and if retail sales average is \$4.24 per visitor, this goal will be met.

RESPONSE: If operations expenses are greater than profits, the reasons for this need to be determined. Is there insufficient merchandise turn? Are the staffing patterns consistent with customer volume? Are there sufficient sales transactions in relationship to the numbers visiting the attraction? If the answers are no, then it must be determined why this is happening.

In addition to finding ways to increase profits (primarily by increasing visitors, increasing capture rate and average amount of each sales transaction, increasing non-visitor store customers), ways to reduce expenses must be immediately instituted. If the placement of the **KidWorks** store within the building (to the backside of the lobby) presents this shop from attracting enough customers to justify operational expenses, this location could be closed and successful merchandise incorporated

into the **ArtWorks** store. This space then could be offered for rental or become the location for the developing ArtWorks Connection and the e-retail effort. Another option would be to temporarily waive the rent requirement for the stores. Also, the number of hours for store operation might be curtailed, the numbers of sales personnel reduced and an increased use of volunteers in the store.

RISK: Since the marketing of the retail stores is tied to marketing of the Louisiana ArtWorks attraction, there could be a problem if the marketing approaches are good for one but not for the other.

In the opening year Louisiana ArtWorks marketing efforts will be targeted to both resident and visitor markets, but in subsequent years, these efforts likely will target the visitor market more intensely. It may be that the **ArtWorks** and **KidWorks** stores will find its marketing targets and needs to differ from that of the attraction.

RESPONSE: To solve this problem all marketing decisions should be evaluated by the Retail Manager/Buyer and report on its effectiveness for the retail effort made to the Louisiana Artworks Director and marketing staff. This group will collectively explore the problems and devise course corrections accordingly. In addition, the Retail Manager/Buyer will have a marketing budget to be used to directly address the marketing and promotional needs of the store independent of the attraction's marketing and in addition to other marketing efforts. Because the stores will be included in these marketing efforts, the amount designated for separate marketing of the stores is \$25,000 or roughly 3% of gross sales for the first year, then \$10,000, or roughly 1% for the two following years.

RISK: Sometimes on-going operations absorb so much time, effort, and finances that avenues for growth are not actively pursued although healthy entrepreneuring enterprises require possibilities for growth.

RESPONSE: Growth opportunities and the efforts required to pursue them have been represented in detail in the Business Plan to include: product development; ArtWorks Connections; plus website and online store.

RISK: In addition to these risks which can be anticipated and planned for, there are some external risks that cannot be planned for and which could provide serious challenges. These risks include such things as economic downturns, travel curtailment, terrorist attacks, natural disasters, and war.

RESPONSE: All that can be done is to meet such challenges with innovation and creativity. However, it suggests that management of the retail stores must remain sensitive to the local, national, and international context in which they are operating. Retail activities must be considered always within the context of the community where they are located and the larger society of which it is a part. If such unfortunate situations should arise the **ArtWorks** and **KidWorks** stores would immediately revisit and revise strategies and actions in term of these elements: customer attraction and marketing; merchandising; marketing; operations.