



# **WEB DEVELOPMENT AND STRATEGY ART INDUSTRY**

## **International Market Development Business Plan Report**

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## **Executive Summary**

### **Mission Statement**

The mission of ArtVoila! Inc. is to become the dominant *cross-cultural business solution for the arts industry* in the physical world and on the Internet. Art Voila, Inc. will provide a unique service by bringing artists, collectors and curators together online and offline for the proliferation of art commerce and education worldwide.

### **Company Overview**

ArtVoila!, Inc. is a company formed under the laws of the state of California as a *C-Corporation* in June, 2001, and is currently headquartered at 873 Laurel Street, Suite B, Alameda, CA 94501. The Company is a California-based art concern applicable to producer and consumer participants with plans to apply its business model online and offline through Internet and Art Centers sales.

### **Market Opportunity**

The global art economy generated *\$25.6 billion of total sales in 2001*. Europe and the United States accounted for about 92% of the total value. In Europe, the art trade directly generated 73,500 jobs spread across 28,600 businesses. In the United States, 35,300 jobs were directly generated by 8,800 businesses.

So, with the Internet medium, and the deployment of Art Centers ArtVoila! will be able to recruit emerging artists and curators while catering to collectors' satisfaction. And, artists will be offered more opportunities to exhibit and sell their artworks worldwide.

### **The Solution ArtVoila!**

ArtVoila! envisions to provide a *global forum for the arts* online and offline, with more exposure for emerging and talented contemporary artists, and more choices for educated, culturally sophisticated and affluent collectors and curators. What ArtVoila! establishes is a reputable and successful marketplace where, to date, no art concern has gained leadership status by becoming a profitable business for the arts.

*A multilingual business solution* for the arts; A means to opening up the world of art locally with Art Centers, while injecting the freedom the Internet provides to a chaotic but bustling art industry.

### **Benefits & Justification**

ArtVoila! enables the global art community to proliferate as it represents a true cross-cultural setting; an achievement made by no other art based web site or gallery. It enables the arts community to interact directly with customers on a one-to-one basis either online via the web or offline through its network of Art Centers.

With this new art solution, *artists* gain opportunities to exhibit their artwork worldwide; *art suppliers* deal with larger groups of artists and consumers to increase business profitability; *curators have many alternatives* to discover and promote a myriad of artists; *collectors* gain art knowledge and purchase art from all walks of the industry.

## Team Management

Experienced management team will maintain ArtVoila! positioning and competitive advantage of being the first and most complete art business solution on the market with significant branding efforts, unique web site, and networks of innovative Art Centers.



**Stephane Cordier, CEO & President**, formally served as a marketing manager for GE Capital. Since 1999, he has served as a Project Manager for United Airlines. He has overseen management in an international/cross-functional environment while building new business opportunities. He has 16 years of experience in business development, marketing (e-commerce), and IT. As an artist in his own, he is the man with the vision for ArtVoila!.



**Sue Stein, Chief Marketing Officer**, is President of Smalldog Communication. Prior to establishing Smalldog, She had worldwide responsibility for launching products and brands throughout Asia and Europe for several concerns. She gained wide-ranging experience in advertising, collateral and publications development, channel and co-op programs, trade shows, special events and interactive media.



**Nathalie Aiken, Chief Financial Officer**, The Chief Financial Officer and Co-Managing Director for Compagnie Française de Moulage et de Métallurgie in Paris, France since 1989, Ms. Aiken's responsibilities have included finance, administration, strategic planning, accounting, shareholder communications and legal affairs with an emphasis on financial discipline for over 15 years.



**Chris Peytier, Chief Information Officer**, brings twenty years in the software industry to bear. With a unique combination of business, technical and international skills and a track record of assisting international start-up operations, he offers a rare balance of pragmatic experience derived from concrete project management and knowledge of the latest technologies, gained from his positions with leading edge software vendors.

## Progress to Date

Some anecdotal research, discussions with art world professionals, art consumers and online experts brought Mr. Ardourel to a crossroad; could a *new business model online and offline* that enhances and complements every aspect of the art world be developed in an industry that has realized steady growth over decades? The answer was *YES*. ArtVoila! has, to date:

- Secured a sophisticated and capable *management team*.
- Implemented the Company *website* including full e-commerce capabilities.
- *Developed the infrastructure* for a global team of representatives that will work towards creating a network of artists, collectors, galleries, and ArtVoila! sponsors.
- Finalized the foundations for deploying Art Centers (in Europe, Japan and the United States) to tailor art development locally.

ArtVoila! anticipates a significant number of art vendor/partner sign-offs by April 2004, supplying ArtVoila! with the necessary environment to begin commerce offline.

## Future Expansion

Future strategic plans, operating budgets, capital requirements and expansion opportunities are dependent upon customers' level of adoption and satisfaction with ArtVoila!. After building a successful multilingual web presence, ArtVoila! will continue its expansion offline in the domestic and international markets by:

- Implementing Art Centers worldwide to enforce ArtVoila! presence.
- Partnering with schools and Museums to promote ArtVoila! vision.
- Creating alliances with curators to expand ArtVoila! market shares.
- Connecting to world press to enhance ArtVoila! brand equity.

The above will serve to contribute to ArtVoila!'s online efforts and overall presence on the physical world art market. For instance, an art show in Russia may be "web cast" on the ArtVoila! site.

## Financial Summary

The Company has realized an initial investment of \$500,000 by its principal and maintains 20,000,000 shares of equity stock. Up to 30% of equity is available for investor consideration. The Company is *seeking capital of \$1,400,000 to fund ArtVoila! expansion in Years 04 and 05 of operations* (\$750,000 will be used for working capital upon inception of operations, with the remaining amount used pre-launch as detailed in the below found sources and uses chart):

**2<sup>nd</sup> Phase Seeking Capital**

Sources of Funds		Use of Funds	
Equity Capital	\$1,400,000	Working Capital	\$750,000
<i>(Private or Public Equity Source)</i>		Administrative Expenses	\$150,000
		Marketing and Promotion	\$440,000
		Web Site Development	\$60,000
<b>TOTAL</b>	<b>\$1,400,000</b>		<b>\$1,400,000</b>

Funding has been projected based on an equity investment. Initial operations have commenced in June 2002 in anticipation of a full business rollout in spring of 2004. This business plan has been developed to generate additional funding if required.

**Key Financial Data**

Subsequent operations, as described in this document, will require additional funding. Post funding and additional operational plans will be determined at a later date based on market response. Revenues in Years One and Two, Three and Four & Five are expected to be \$5.65, \$5.33 and \$15.38 million respectively (Please see Appendix 'A' for full pro forma financial projections. Projections are based on a \$1,400,000 capital infusion).

**Financial Projections**

Key Data (\$)	Years One & Two	Year Three	Years Four & Five
Revenues	5,659,216	5,328,508	15,376,096
Cost of Goods Sold	1,102,500	630,000	1,417,500
Operating Expenses	4,285,683	3,003,122	8,389,864
Net Income before Taxes	271,033	1,695,386	5,568,732
Taxes	144,807	428,324	1,553,331
Net Income	126,226	1,267,062	4,015,401
ROE (based on a \$1.4 million capital infusion)		62%	85%
Traffic Expected )	5,496,000	3,804,000	9,876,000

\* Year one starts in 2004

## Exit Strategy

The exit strategy is *a ArtVoila! acquisition or a merger* that would benefit a party from acquiring the resources, branding and customers of ArtVoila!. To increase business ArtVoila! proposes also a marketing model that would *leverage the marketing program* to positively impact sales. Therefore, Investors in ArtVoila! can rely on the following exit strategies to recoup their investment with a return in the event of a Company exit:

### Potential acquisition partners may include:

<b>Portal (Diversification)</b>	Yahoo (USA) or Wanadoo (France)
<b>Encyclopedia (development)</b>	Encarta (USA) or Universalis (France)
<b>Corporation (Integration)</b>	Sothebys (England) or Phillips (France)

### Potential mergers partners may include:

<b>Art Web Site</b>	Artmeca.com (would complement their business development effort)
<b>Specialized Portal</b>	Amazon.com (Would add new business development effort)

### Leverage marketing program may include:

<b>Pricing</b>	Margin exists to increase commission and advertising revenue model fees
<b>Product</b>	New products can be readily brought to the art market to target profitable segments
<b>Place</b>	Intensify exhibitions and alliances worldwide for enhancing brand equity
<b>Promotion</b>	Up marketing communication consistently commensurate with sales growth.

Finally, in the event that ArtVoila! could not be sold at the amount needed to provide investor(s) with necessary funds, or if changes to the business model did not positively impact Company's sales, *artist, gallery, supplier, affiliate program contracts, and customers database* owned by ArtVoila! would be sold to recoup investor(s)' investment with stipulated and required return.

## Business Model

### New Concept

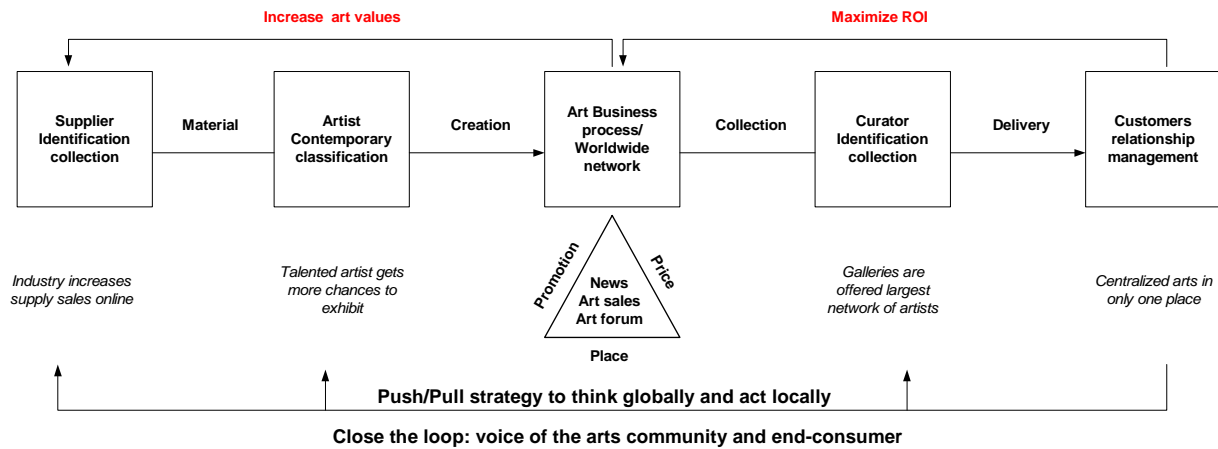
The ArtVoila! mission is simple: Gain leadership on the art marketplace and quickly become the only *multilingual B2B and B2C art solution*. ArtVoila! will lead global change on the Internet and locally transform the way to do business through the deployment of innovative Art Centers.

At the heart of it all, ArtVoila! is about letting Art speak for itself, and letting the artist speak directly to their fans. We remain committed to the independent art world and will continue to bring collectors the future of art.

### Business Process

There can be no doubt that the potential of implementing the first cross-cultural art business solution has fired the imaginations on the art market. By enabling the arts community to interact directly with collectors online (Internet) and offline (Art Centers) on a one-to-one basis, the ArtVoila! solution represents a competitive advantage. The following describes ArtVoila!'s *business model*:

#### ArtVoila! Business Model



### Business Model Benefits

ArtVoila! will afford *artists the opportunity* to become known beyond the geographical sphere they live in. We will serve artists seeking exposure. ArtVoila! will be educating and supporting them in the new art process model, and as a result, prompting them to choose ArtVoila! as their world wide art resources of choice, thereby making us a true cross-cultural marketplace.

The Company will support the *preferences of curators*. ArtVoila! has been developed to become the arts place to do business attempting to match artistic work with a purchasing collector. Long-term relationships will be based on trust and integrity. ArtVoila! will become the only source of art for curators seeking new emerging artists.

ArtVoila! will attract, *retain and convert collectors* into valuable purchasing consumers and will work towards extending customers' loyalty. ArtVoila!'s goal is to convert members into buyers as consistently as possible. From the consumer's point of view, the ArtVoila! solution, with an emphasis on education, art knowledge, and marketing will respond appropriately to a wide range of potential customer actions.

**Products & Services**

The concept behind the ArtVoila! solution is to support the arts community (B2B), suit consumer requirements (B2C), and increase ArtVoila! credibility. The following table enhances the products and services we will offer to each targeted art audience:

**ArtVoila! Offerings**

Collectors	Curators	Artists
<ul style="list-style-type: none"> <li>• Broader access to cross-cultural art</li> <li>• Source for contemporary art</li> <li>• Data integrity</li> <li>• Global art forum</li> <li>• International and real time news</li> <li>• Art knowledge</li> <li>• Art decoration services</li> <li>• Monthly Newsletter</li> </ul>	<ul style="list-style-type: none"> <li>• International growing art audience</li> <li>• Appropriate web tool to promote the arts</li> <li>• Real time information</li> <li>• Globalization of market</li> <li>• Bring cross-cultural arts community together</li> <li>• Access to large volume of collectors (database)</li> <li>• Global art forum</li> <li>• Source to discover new artists</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing program for artist development</li> <li>• Expand international exposure</li> <li>• Global art forum</li> <li>• Access to large volume of galleries (database)</li> <li>• Cross-cultural art market development</li> <li>• International art news</li> <li>• Art Centers to exhibit more often worldwide</li> <li>• Own gallery online</li> </ul>

**Revenue Streams**

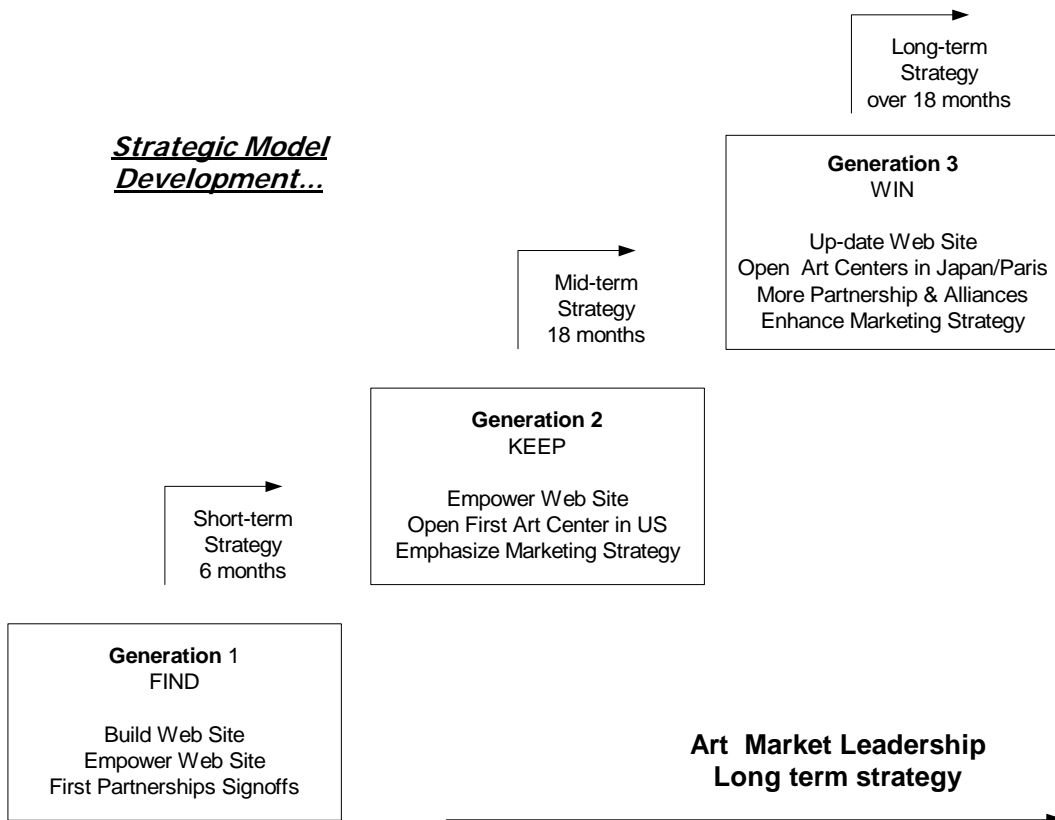
ArtVoila! will become the *destination for artists, collectors, and curators* by providing original and international contemporary art. *Program of retention, cross-selling and up-selling* actions should be automated to increase revenues online and offline. So, the Company will realize revenues from the following (Please see Pro Format Financial Projection and Assumptions in Appendix A of this document for more details):

**Five Years Revenues**

Stream	Revenues	Year One	Year One & Two	Year Four	Year Five
<i>Art Sales</i>	<i>20% commission on sales price</i>	\$1,800,000	\$4,750,000	\$6,196,500	\$7,670,496
<i>Art Supplies</i>	<i>5% commission on supply sales</i>	\$66,900	\$104,500	\$126,225	\$145,475
<i>Advertising</i>	<i>Ad-banner and Classic media</i>	\$72,000	\$114,000	\$137,700	\$158,700
<i>e-Marketing</i>	<i>Rent database contacts</i>	\$180,000	\$285,000	\$344,250	\$396,750
<i>Sponsorship</i>	<i>Government, Art association</i>	\$9,900	\$75,000	\$100,00	\$100,000

**Strategic Model**

ArtVoila! has decided to take part in the emerging and global art economy. So, we will establish a virtual presence on the international marketplace with a multilingual and cross-cultural web site. We will adapt our products and services to the final user's linguistic and cultural requirements. And, we will open Art Centers to support ArtVoila! development in the physical art world.



E-commerce has changed traditional business practices by providing direct international access to information and products and services. In addition, 70% of people will speak a language other than English on the Internet in 2005 therefore Companies must evaluate the usability of their strategy to increase the number of customers.

It is necessary to *globalize TODAY* to account for the new arts market, and *act LOCALLY*. Developing internationalization is the process of gaining leadership on the global art market. Enhancing localization is the process of gaining headship on regional sub-markets.

## **Marketing Action Plan**

ArtVoila! aims to provide information, products and services to a broad art audience online and offline. While the web site will reach everyone geographically, Art Centers and alliances with galleries will support ArtVoila! presence regionally. The primary audience is located not only in the United States but also across the globe.

Targeting the right audience means focusing on site navigation as a success key factor. If people arrive quickly to the web site and succeed in buying artworks or collecting information, they will be a long-term ArtVoila! customer. Experience has shown that those who purchase online are mainly concerned with accomplishing their goals of finding and buying the right product. On e-commerce web sites, customers want to buy. On informative web sites customers want to be informed. The overriding goal is simplicity in use and rapid information exchange that meets their needs.

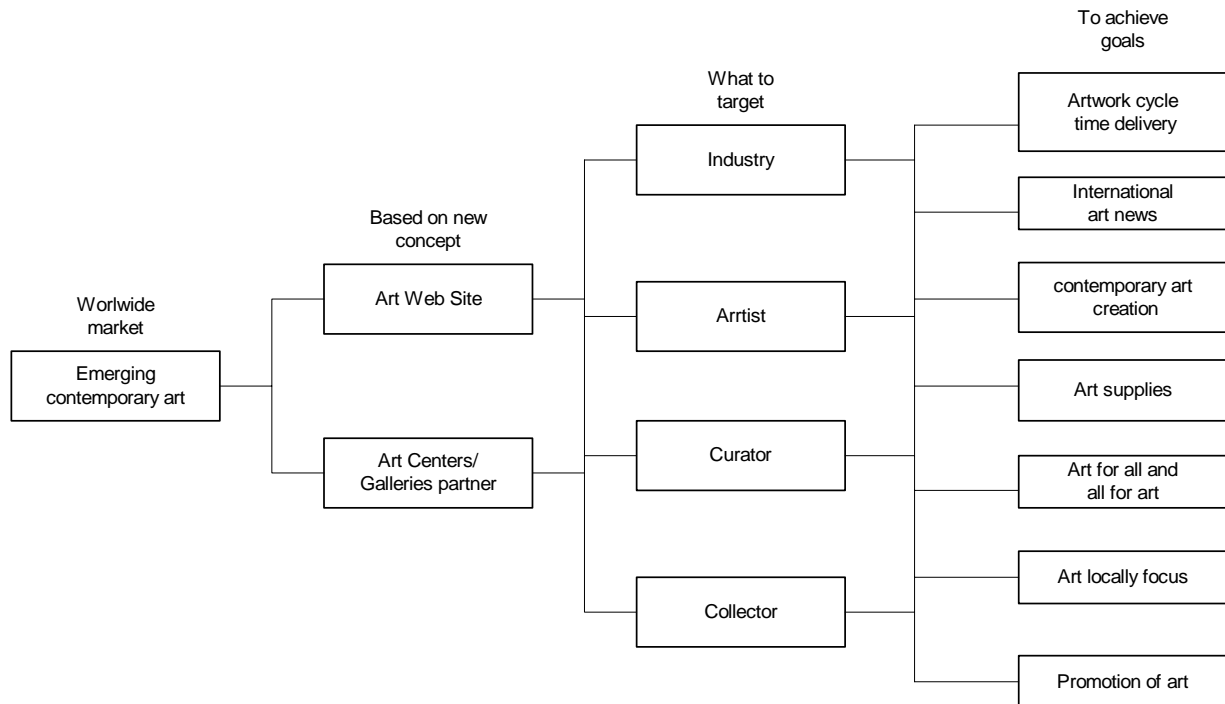
Selling art offline presents certain unique challenges. It will help build ArtVoila! brand in the marketplace and establish ArtVoila! itself as a reputable Company for buying art. So, we will implement reputable Art Centers, in which customers will most likely purchase artworks. The strategy focus on developing the best customer experience is one of the key factors for our success. Enabling collectors to be in touch with international artists on one-to-one basis should build the foundations of ArtVoila! business. ArtVoila! will strive to maintain the art audience captive.

## Sales and Marketing

### Mid-Term Strategy

ArtVoila!'s strategy is to become the premier Art-driven organization on the market. There are a number of objectives in the design of ArtVoila! solution: One of them is to *leverage four market areas: industry, artist, curator and collector*. While the primary goal is to perform art business over the world to support ArtVoila!'s vision, the overall purpose of the B2B and B2C solution is to serve each market area in order to develop customer loyalty. The schema hereby enhances ArtVoila!'s strategy:

### Tree Model Structure



ArtVoila!'s vision is to build a marketplace for the arts, while offering products and services in a true cross-cultural environment. ArtVoila!'s business leverages the "ubiquitous network" of the arts market and delivers information consistently and accurately to the arts community and collectors. Both the web site and Art Centers will emphasize and support ArtVoila! business development as a *global integrated solution*.

### Sales Objective

The company believes that it will annually achieve a minimum average revenue growth rate of 40% over the next five years. Achieving this objective means performing art purchase over the Internet and through the Arts Centers, and leveraging the company's branding equity to suit potential and existing clients about the benefits of ArtVoila!'s products and services. So, sales forecasts are as follows:

### **ArtVoila! Sales Objectives**

Year	One	Two	Three	Four	Five
Sales	\$2,127,996	\$3,531,220	\$5,523,508	\$6,904,675	\$8,471,421

The key goals to be accompanied in the overall strategy are those that highlight ArtVoila!'s Tree Model Structure: *Affordable art sales online and offline, give access to art news, propose emerging talented artists, enable to buy art supplies, enhance market globalization, and respond to art demand locally.*

### **Positioning Statement**

ArtVoila!'s founders, board of directors, and senior management will position the Company as the *pre-eminent educational and commerce based art solution* for the arts community, art industry, and collectors on each local market worldwide.

ArtVoila! will focus on targeting the art audience that pertains to *the middle-upper class of collectors*. We will acquire and retain curators and artists that cater to this niche.

### **Marketing Program**

Ad-banners, link exchanges and promotional *online campaigns* will optimize traffic to the web site. Worldwide search engines will be extensively utilized. And, ArtVoila! will be translated into several languages (English, French, Russian, Spanish, Japanese, German, and Portuguese) But, the online world cannot judge the site if it cannot find it. The following actions will be implemented:

#### **Marketing Online**

Technical specifications	Web site actions
<ul style="list-style-type: none"> <li>• Multiple domain names</li> <li>• Customize content</li> <li>• Work on titles and tags</li> <li>• URL rewriting</li> <li>• Multilingual search engine submission</li> </ul>	<ul style="list-style-type: none"> <li>• Partnerships/Alliances</li> <li>• E-Cards service and news delivery</li> <li>• Art forum</li> <li>• Affiliate program</li> <li>• Links/Exchanges</li> </ul>

ArtVoila! will invest in *marketing offline* to build its brand equity and boost Art Centers sales. Alliances will be forged to co-op advertising effort (i.e. Museums, schools). Print publications, postcards, and commercial brochures should be created. But, the offline world cannot judge the Art Centers if it cannot find them. The following actions will be implemented:

### Marketing Offline

e-Advertising	Traditional media
<ul style="list-style-type: none"> <li>• e-mailing list</li> <li>• Buy keyword marketing</li> <li>• Cibleclick.com</li> <li>• Buy ad-banners/run of service</li> </ul>	<ul style="list-style-type: none"> <li>• Brochures/ Postcards</li> <li>• Press release</li> <li>• Direct mail</li> <li>• Bill-boards</li> </ul>

Today, it is true that little separates one business from its competitors in the arts market. ArtVoila! will work towards sustainable competitive advantages to avoid having customers switch to alternative competitors. With the cost of establishing brands and introducing new products growing geometrically, choosing the right art market to enter and setting the right strategic course is crucial. The following *promotional program* will be implemented:

### Brand Equity Promotion

Content management	Promotional actions
<ul style="list-style-type: none"> <li>• Portfolio optimization</li> <li>• Return policy &amp; guarantee</li> <li>• Quality of art news</li> <li>• Monthly newsletter</li> </ul>	<ul style="list-style-type: none"> <li>• Art trade shows</li> <li>• Art event promotion</li> <li>• Sponsoring art schools</li> </ul>

### **Customer Retention: Internet & Art Centers**

The state of e-commerce is such that if something exists in the physical world there is somebody here trying to sell it on the web. But, can anything and everything be hawked on the web? Surely *NOT*... However, the Internet is a medium that enables to connect people, and we believe in the idea that not only will people happily buy art online but the web will encourage all sorts of *first-time art buyers* to make their first purchase. ArtVoila! guarantee and return policy will enable to increase a new class of buyers.

On the other hand, we have people who will go online just to view art but they will keep going to galleries because of *the pleasure of pausing over a work before purchasing it*. ArtVoila! will combine the Internet usability for them to peruse world-class collections of art while deploying Art Centers to fit their way to purchase art on the Market. For some people, viewing art online does not offer the clarity offered by the gallery.

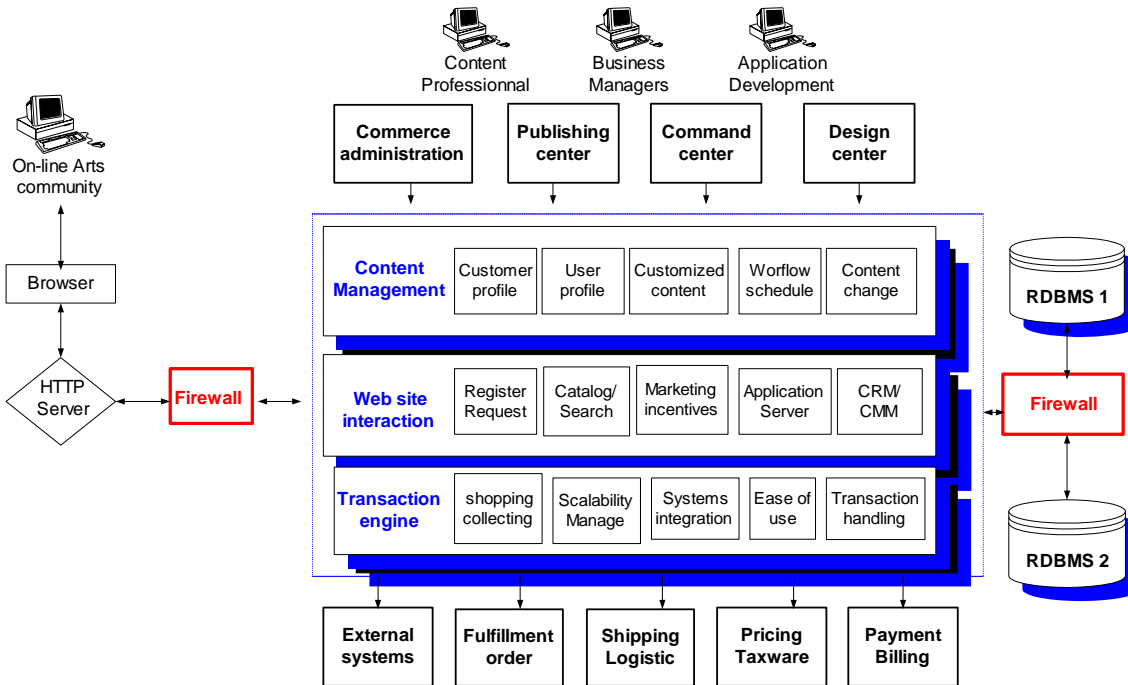
### **E-Commerce Solution**

ArtVoila! is a *flexible* Business-To-Consumers application and an *extensible* Business-To-Business e-commerce solution. The web site will help automate channel relationships, reduce channel expenses, reduce administration overhead, deliver information and increase everyone's satisfaction. The e-commerce solution enables fast transaction, contact and marketing management.

Web tools will be employed to facilitate marketing and merchandising activities, which

include cataloguing, requisitioning, and customer profiling. Management tools are and will be implemented for artist members, collectors, and staff management, as outlined here below (please peruse at [www.artvoila.com](http://www.artvoila.com) for more explanation):

### ArtVoila! Web Site Design



ArtVoila web site is an integrated B2B and B2C system that helps the arts community communicate with their online customers. With Internet industry-leading instant personalization, the site is fast moving and can instantly change products, services, and prices. Management and marketing tools enable the implementation of marketing campaigns via email and through the monthly Newsletter.

## Industry Analysis

### Industry Structure

The art industry is a collection of stand-alone web sites and galleries that offer similar art products and services. By similar products, it is meant products that collectors perceive to be substitutable for one another; The industry of the arts is structured as follows:

#### Art Market Structure

Internet structure	Galleries Industry
1. Fine-art 2. Art news 3. Art encyclopedia 4. Art auction services	1. <i>Primary market</i> Contemporary art 2. <i>Secondary market</i> Auction 3. Medium (Painting, sculpture...) 4. Style (still-alive, abstract, portrait...)

Web sites and galleries differ from each other in terms of volume of sales, positioning, rate of growth and their competitive advantages. But, none has a dominant market position, which should allow ArtVoila! with proper management and strategy to succeed on the art market.

ArtVoila!'s mid-term goal (five years) is to be assimilated as *the pre-eminent cross-cultural portal of arts on the Internet* and gain total leadership in the gallery environment. ArtVoila! will achieve its grand strategy by penetrating the art market with its e-product and Art Centers deployment.

### Change on Art Market

The contemporary art market has changed with its replenishable supply of new artworks. It operates a two tier trading system: A primary market of galleries representing artists who consign fresh product to them and a secondary market comprising auction and other dealers, who handle the same works of art when they are offered for resale by their original owner.

In the past, a clearly defined set of rules governed the activities of both operations, but in the last five years, those traditional boundaries have been blurred as *auction moves ever closer to being a primary market in itself*. Artists are querying an exclusive gallery relationship and will recognize that the commission structure in auction, just one half or less of what would be a gallery's change for looking after their business, might be appealing. In retrospect, the contemporary art department at Sotheby's New York may be seen as the defining moment in this constantly shifting situation.

### Contemporary Art Still Alive

The results of late sales on the art market confirm the up-trend in contemporary art especially painting, which has gained 5.2% since January 2003. Like most segments of the market contemporary segment starts rising again although overall prices in this

segment are still below their levels of 2000 and 2001. Here below is an overview of the worldwide art market in 2001:

### **Overview of worldwide market**

<b>Region</b>	<b>Total Sales (in millions of Euros)</b>	<b>Number of Businesses</b>	<b>Number of Employees</b>
<b>Europe</b>	12,013	29,193	73,564
<b>United States</b>	12,500	8,829	35,293
<b>Total</b>	24,600	38,022	108,857

Source: Kusin & Company (2002)

The prices commanded by young generations of artists have recently begun to rival those of established auction stars, reaching all time highs in the last three years. *Contemporary art auctions are becoming as lucrative as the legendary "Impressionist and Modern Art"*. New artists are as likely to send a frisson through the auction rooms as Picasso, Renoir or Van Gogh. So far this century, most of the Top 20 selling contemporary artists (born after 1940) are from English-speaking countries, and promoted by such prestigious art galleries as Gagosian, Anthony d'Offay, Saatchi, Sonnabend, and Sperone Westwater.

### **Internet Usage Growing**

ArtVoila! will capture users around the world as a multilingual pioneer in the art market. Global Internet use is not only growing rapidly, but shifting towards a very real one world, one internet model. Computer Industry Almanac reports an expected,

- 490 million Internet users by year-end 2002
- Over 765 million by year-end 2005

They also report by 2002, the US will have 1/3 of total Internet users and will decline to 27% at year-end 2005.

<b>January 2000 – Internet Use<sup>1</sup></b>	
Africa	2.1 Million
Asia/Pacific	40 Million
Europe	70 Million
Middle East	1.9 Million
Canada & USA	120 Million
South America	8 Million
<b>World Total</b>	<b>242 Million</b>

The Internet will play a key role in reshaping the art market in the next decade. The framework of *the art industry is highly diversified and fragmented* and is characterized by no clear-cut supply chain where products flow from the artist to collectors. Rather each player in the industry may fill multiple roles, such as an art gallery that is both a retailer and a publisher of art. Given the disordered process in arts, opportunities reside in implementing the first cross-cultural and multilingual portal for the arts.

<sup>1</sup> <http://www.commerce.net/research/stats/wwstats.html>

## SWOT Analysis

The strengths, weaknesses, opportunities, and threats matrix has been established based on marketing researches as outlined in the appendix C of this documentation titled "Competitive Internet Environment".

### Art Industry Pro & Cons

<p style="text-align: center;"><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>• E-commerce infrastructure in place</li> <li>• Target high Upper class of collectors</li> <li>• Specialized in medium and style</li> <li>• Target upper class of collectors</li> </ul>	<p style="text-align: center;"><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>• Be the first cross-cultural and multilingual solution of arts</li> <li>• Target upper middle class of collectors</li> <li>• Develop web and Art Centers in parallel</li> <li>• Worldwide presence</li> </ul>
<p style="text-align: center;"><b><u>Weaknesses</u></b></p> <ul style="list-style-type: none"> <li>• 40/60% commission on art sales</li> <li>• No leadership in the art industry</li> <li>• Monolingual web site</li> <li>• Stand alone businesses</li> </ul>	<p style="text-align: center;"><b><u>Threats</u></b></p> <ul style="list-style-type: none"> <li>• Secondary market switching to the primary market (Sothebys)</li> <li>• ArtVoila! is a concept not a patent</li> </ul>

With the availability of offering more cross-cultural art products and services on the web and in the Art Centers we are able to satisfy the market expectations. Collectors think globally but act locally. So, *ArtVoila! mission is to bring the world of arts on the Net or to the Art Centers...*

## Market Opportunity

The global art economy generated \$25.6 billion of total sales in 2001. Europe and the United States accounted for about 92% of the value that changed ownership globally during the year. In Europe, the art trade directly generated 73,500 jobs spread across 28,600 businesses. In the United States, 35,300 jobs were directly generated by 8,800 businesses.

By enabling the arts community to interact directly with their customers online and offline on a one-to-one basis, the ArtVoila! solution gives the means to use both the Internet and Arts Centers as a competitive advantage. By addressing the key critical factors as outlined in the section *Mid-term Strategy*, an opportunity exists to create and launch a new art process. The concept beyond ArtVoila! consists of supporting the arts community (B2B) and fitting the collector's preferences (B2C).

## Operations

### Human Resources

As a service organization, ArtVoila! will dedicate concerted effort towards operational staffing and human resources. The Company is in talks with several individuals to fill key positions in the following areas as growth dictates.

(Please refer to *Appendix A, Financial Assumptions* for the timing of hiring and salaries for these positions)

### *ArtVoila! Staff Management*

<b>Department</b>	<b>Position</b>
<b><i>General Staff</i></b>	Accounting Office Manager Administrative Staff
<b><i>Technical - Outsourcing</i></b>	Technicians Developers Programmers Designers Engineers
<b><i>Business Development</i></b>	Content Contributors (8)
<b><i>Marketing &amp; Advertising</i></b>	Display/Traditional Promotion/PR/Partnerships Brokered Sales General Sales Staff

### Insurance

The Company will protect its assets and name with proper insurance coverage: Professional Liability , Business Income, and Special endorsement for computer equipment and exhibitions

### Shipping

UPS will be used exclusively. The price of shipping will be absorbed by the shipper, typically the artist. And, returns will be paid by the buyer.

## Professional Services

### Tax, Business/Bookkeeping

American Express  
5150 El Camino Real, Suite C-10  
Los Altos, CA 94022

### Legal

Brett Allen  
Van De Poel & Levy  
1600 South Main Plaza, Suite 325  
Walnut Creek, CA 94596

### Banking

Wells Fargo Bank  
P.O. Box 6995  
Portland, OR 97228

### E-Payment

*Insured by:*  
Verisign.com  
*Hosted by:*  
Wells Fargo Bank

### Business Liability

ECM Insurance Services, Inc.  
120 Howard Street, Suite 220  
San Francisco, CA 94105

### ISP/Technical Support

HBG New Media, Inc.  
Ten East Doty Street, Suite 300  
Madison, WI 53703  
[www.hbgnewmedia.com](http://www.hbgnewmedia.com)

### Affiliate Programs

[www.Amazon.com](http://www.Amazon.com)  
(World's leading book seller)

[www.artprice.com](http://www.artprice.com)  
(world's leading art price  
quotation data bank)

[www.rexart.com](http://www.rexart.com)  
(Art supplier online)

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## **Critical Risks**

### **Delay in Investment**

A delay will occur between the time investors place their funds and the time the net proceeds of the offering are invested. This delay could adversely affect the return paid to the investors and/or shareholders. Pending the investment of the proceeds of this offering, funds may be placed in such liquid, short-term investments as the Company shall designate. The interest earned on such interim investments, if any, is not specified or warranted.

### **Development Stage Company**

The Company is in a development expansion stage and its operations are subject to all of the risks inherent in the establishment of a new business enterprise open in June 2001, including the absence of a substantial operating history, shortage of cash, under capitalization and inexperience of management. Various problems, expenses, complications and delays are expected to be encountered in connection with the final stages of product development and later with broad scale marketing efforts proposed by the Company. The Company also faces substantial competitive obstacles.

### **Need for Additional Financing**

Proceeds from capital investment and other working capital sources may be insufficient for the Company's planned business over any extended period of time and therefore the Company may need to seek additional capital. The Company will seek additional financing if and when needed, through borrowing from banks or other lenders, through the formation of limited partnerships in which the Company would be the general partner, or through the sale of additional shares in the Company in other private transactions or in a public offering. To obtain such additional financing, the Company may have to give up substantial interests in its future revenues or dilute the equity of existing shareholders. If additional financing is not available on terms acceptable by management, the Company's opportunity for growth might be limited. The Company also anticipates significant expenditures for research and development of new software systems compatible with its present proposed systems and acceptable to its target market. THERE CAN BE NO ASSURANCE THAT A PUBLIC OFFERING OF THE COMPANY'S SECURITIES WILL BE MADE, OR IF MADE, THAT IT WILL BE SUCCESSFUL OR THAT VENTURE CAPITAL INVESTORS WILL BE WILLING TO INVEST.

### **Dependence on Key Personnel**

The success of the Company is largely dependent upon the efforts and active participation of key management. The loss of any one could result in substantial hardship to the Company, either from termination of employment or other contingency. The Company intends to obtain key man insurance to provide coverage, but in the event of the absence of one or more, failure to the Company's mission and plans could result.

## **Conflicts of Interest**

The Company may in the future engage in transactions with its directors and principal shareholders or persons or entities affiliated with them. Some transactions may be on terms that may not be as favorable to the Company as could be obtained from non-affiliated persons. While an effort will be made to deal with affiliated persons on terms favorable to the Company, there will always be an inherent conflict between the interest of the Company and those of certain other affiliated persons or entities.

## **No Patent or Product Protection**

The Company has no patent protection for its existing products or services. Except in unusual circumstances, which do not apply to the Company, generally such products and services are not patentable and must be protected by copyright, trade secret or contract rights. The Company may attempt to obtain copyrights, trademarks and service marks on products and services it develops and also presently attempts to protect any such products and services through trade secret and nondisclosure contract provisions in its contractual agreements, consulting agreements and its Employment Agreements.

## **Competition and Market Acceptance**

The Company's sales and potential profitability will be affected by sales of compatible art products and services, competition among micro-computer hardware manufacturers, competition by the Company with other art industry concerns, development, marketing and art product and service licensing firms, including established firms with greater financial resources, and potential production of functionally similar art websites and commerce capabilities applicable to the Company's market. There can be no assurance that the Company will be able to develop a national or international market position.

## **No Dividends**

The Company has paid no dividends and the Company does not anticipate payment of dividends in the foreseeable future. If the Company's operations should be profitable, of which there is no assurance, any income received there from may be devoted to the Company's future operations, and any decision to pay dividends in the future would depend upon the Company's profitability at the time, cash availability and other factors. No person should purchase shares in the offering if they have need for any immediate return on their investment.

## **No Firm Commitment For Shares Offered**

Any shares offered pursuant to investing in ArtVoila! will be offered to a select group of investors who have full knowledge and understanding of the Company, the risks associated with an investment in the Company's securities, and the restrictive nature of the shares offered hereby. There is no firm commitment by anyone to purchase any or all of the shares offered hereby and, therefore, there can be no assurance that all or any portion of the offering will be sold.

### **Relative Lack of Liquidity**

The purchase of properties contemplated by this offering will result in investor funds being held in assets, which cannot readily be sold, conveyed or transferred, including certificates of the Company.

### **Impracticability**

The Company's limited funds will probably make it impracticable to make an exhaustive investigation of any potential sales market. Decisions concerning sales and production will most likely be made without feasibility studies, independent analysis, market surveys, etc. An informal market analysis has been conducted by management, which is intended for use when initially marketing the Company's activities. No formal market survey as to any topic considered in this document has been conducted and if it were, the results and conclusions drawn might be different from the present.

### **Change of Law or Regulation**

State, local, and federal law currently permit the proposed facility and the business contemplated. In the event of a change of law or regulation not contemplated by management, although considered unlikely, this could have an unfavorable affect on the business and/or production.

### **Federal Income Tax Risks**

The prospective investor is advised that the Company has not obtained a formal tax opinion concerning the benefits, if any, which are attributable either to itself or the investors. While this qualification may occur at a later date, management and the issuer make no representation that any such qualification will be obtained. Investors are advised to consult with their respective tax advisors and legal counsel to determine the income tax consequences to them, if any.

### **Interest Rates**

A large increase or decrease in interest rates could adversely impact any debt or convertible loans made to the Company

### **Economy**

Unforeseen economic changes could directly affect the Company's income model and the number of potential customers for the Company's products.

### **Personnel**

The market for skilled employees is very tight. There are many companies competing for highly trained Internet service related employees. If we are unable to employ properly skilled people this could slow our implementation pace affecting our revenue model. If necessary, we may need to train our own people with the skills we need.

## **Theft**

A skilled programmer could copy the Company's website coding; the Company would incur legal and other fees to stop the copying. This could adversely affect the Company's financial position.

## **Scale Up Difficulties**

It is possible that the Company will not be able to scale up fast enough to accommodate the volume of customers wishing to use the Company's service. We will make every effort to prevent that occurrence, however, if the Company is not careful in its marketing efforts, it could be overwhelmed.

## **Regulations**

State and Federal statutes and regulations can determine, to a large degree, the success or failure of any technology-based business. There can be no guarantee that the statutes and/or regulations will not be changed to become detrimental to the Company. The Company will retain adequate and proper legal representation as a means to staying abreast of and optimally working within the legal environment.

## **Social Responsibility Clause**

The Company will work with non-profit concerns free of charge in order to give back to the community. Though limited in scope, such work generates goodwill and loyalty throughout business markets. As market share grows and media clout increases, charitable work for non-profits will increase proportionally.

*Full plans and dedicated budgets for all volunteer projects are to be developed by Management during the first year of operations.*

## **Appendix A: Pro Forma Financial Analysis and Assumptions**

Hiring Schedule – Years One Through Five

Income Statement – Years One Through Five

Budget Statement - Years One Through Five

Cash Flow Statement – Years One Through Five

Balance Sheet – Years One Through Five

## ***Income Statement Assumptions***

### ***Revenues***

#### **Sales**

ArtVoila!'s business model is based on traffic. The Company's web site traffic is expected to grow *exponentially*, and traffic to the Art Centers *accordingly*.

An average of 200,000 visitors per month to ArtVoila!'s web site (Traffic to Art Centers fall in) is forecasted for year one. This is based on Art.com's estimated 330,000 visitors per month and Artcellarexchange.com's 180,000 visitors per month. The 200,000 visitors per month is derived as a conservative average.

In addition to that, there will be over 765 million worldwide users online by year-end 2005. Given this expected growth over internet usage in 2002, ArtVoila! has extrapolated to find the following from year one to year five:

<b><u>Traffic to Web Site</u></b>	<b><u>Monthly Visitors</u></b>
Year One	200,000
Year Two	258,000
Year Three	316,667
Year Four	382,500
Year Five	440,833

#### **Art Sales Commission**

The Company will realize a *20% commission on artwork sales* taking place under ArtVoila! business. The average piece will sell for \$500. This price is representative of contemporary art prices based on the experience of management.

Assuming that .75 of 1% of visitors make a purchase, .75% multiplied by 200,000 unique visitors equals 1500 purchases/month. At \$500 per purchase this equals \$750,000 in transactions/month. And, the Company's 20% equals: \$150,000 per month in revenues. For year two to five projections, the Company anticipates increasing rate of customers.

<b><u>Traffic Capture Per Month</u></b>	<b><u>Art Buyers (*)</u></b>	<b><u>Monthly Revenues</u></b>
Year One – 200,000 visitors	0.75%	\$150,000
Year Two – 258,000 visitors	1%	\$258,000
Year Three – 316,667 visitors	1.25%	\$395,834
Year Four – 382,500 visitors	1.35%	\$516,375
Year Five – 440,883 visitors	1.45%	\$639,208

(\*) The above found buyers ratio growth is based on generating 'repeat business'.

#### **Supplies Sales Online Commission**

The Company has negotiated with *RexArt a 5% commission based* on the Company's

exclusive program of selling only RexArt supplies on the ArtVoila! web site.

The assumption is an average art supply purchase online of \$55. The percentage of visitors who become buyers is based on the same traffic assumptions for Artwork sales. Accordingly, the following schedule of revenues can be anticipated:

<b><u>1% Traffic Capture Rate (*)</u></b>	<b><u>Monthly Traffic</u></b>	<b><u>Monthly Revenues</u></b>
Year One	200,000	\$5,500
Year Two	258,000	\$7,095
Year Three	316,667	\$8,708
Year Four	382,500	\$10,519
Year Five	440,833	\$12,100

(\*) The above traffic capture ratio remains conservatively equal to 1%.

### **e-Advertising**

ArtVoila! has reserved *ten online spaces to post ad-banners*. And, advertisers can choose among four categories: *Art Forum, Art Sales, Art News, and Art Service*. Each area will be aimed towards advertisers that wish to target consumers drawn to these particular areas.

The Company assumes that it will generate revenues of \$ .03 per unique visitor when selling its banner advertisements. But, the Company is only projecting revenues based on the sale of one online banner advertisement. The following revenues will be realized:

<b><u>\$.03 per Capture of visitors</u></b>	<b><u>Monthly Traffic</u></b>	<b><u>Monthly Revenues (*)</u></b>
Year One	200,000	\$6,000
Year Two	258,000	\$7,740
Year Three	316,667	\$9,500
Year Four	382,500	\$11,475
Year Five	440,833	\$13,200

(\*) The above monthly revenue is based on selling one Ad-banner per month.

### **Sponsorship**

The Company anticipates that, private, non-profit and governmental organizations will support ArtVoila! exhibitions, content announcements, and goodwill events. It has been conservatively projected that sponsorship will generate the following revenues:

<b><u>Sponsorship</u></b>	<b><u>Monthly Revenues</u></b>
Year One	\$10,000
Year Two	\$25,000
Year Three	\$75,000
Year Four	\$100,000
Year Five	\$100,000

**E-Marketing**

ArtVoila! will build and propose a *database of non-limited contacts including artists, collectors, and curators* who will be geographically identified. So, galleries will purchase the information regarding collectors who have expressed interest in contemporary art in their area, and will target them for specific exhibitions and events.

The Company assumes that in year one, *5% of site traffic will opt-in* to share their biographical, demographical and personal interests information with ArtVoila! so that ArtVoila! can target them with emails from a host of organizations that support their interests.

Further, the Company assumes that each name will be sold, on average, once every two-months (for a total of six sales per name per year). According to recent research, quality, *valuable marketing database information is worth \$.25 per name*. Given the above assumptions, revenues can be expected as follows:

<b><i>Monthly Web Site Traffic</i></b>	<b><i>Contact Names(*)</i></b>	<b><i>Yearly Revenues</i></b>
Year One – 200,000 visitors	126,000	\$180,000
Year Two – 258,000 visitors	154,800	\$232,200
Year Three – 316,667 visitors	190,000	\$285,000
Year Four – 382,500 visitors	229,500	\$344,250
Year Five – 440,883 visitors	264,500	\$396,750

(\*) 5% of web site visitors register as member.

**Art Decoration**

ArtVoila! will partner with architects, designers, and other professionals when contracting with private clientele and ArtVoila! to provide interior and/or exterior art decoration services. We will give them access to our large volume of artwork ready-to-hang. A business model will be determined after a successful first-year of operations.

**Fixed Cost of Goods Sold**

All fixed costs of goods sold have been equally applied across revenue streams.

**Management Salaries**

The company cost of FICA, Medicare, Federal unemployment, State unemployment, and Workers Compensation as well as employee insurance and benefits have been included in ALL salary projections (including management and general and administrative) based on adding 25% of payroll to total payroll costs (Included is 401K costs with the Company making a 3% matching contribution).

Note: Payroll Taxes and Health/Life/Dental Insurance

## ***Operating Expenses***

### **Sales and Marketing Expenses**

All budgets have been increased by 30% in Year Two; 20% in Years Three through Five

#### **Advertising**

Remains consistent for years one and two; grows by 20% in years three-five.

<b><i>Marketing Action Plan</i></b>	<b><i>Budget</i></b>
Multilingual search engine submission	\$35,000
Ad-banners and Advertising	\$240,000 (\$20,000/month)
Industry Trade/ Magazines	\$165,000

#### **Publicity**

The cost of generating press releases, articles for the readership of industry trades, working with industry consultants, sponsorship, etc. Budgeted at \$75,000 for first year. This budget is mainly dedicated to coordinate the promotion of the Art Centers through the organization of art events and exhibitions.

#### **Direct Marketing and Promotion**

Remains consistent for years one and two; grows by 20% in years three-five.

Estimated to include direct mailings, phone lists, incentives for leads, the cost of marketing brochures and promotional material. Budgeted at \$275,000 for the first year.

#### **Data Outsourcing Fees**

The purchase of copyrighted information and data for Company website on an on-going basis. \$5,000 budgeted.

#### **Travel**

The expenses are based on the travel costs of the CEO and sales and marketing manager traveling to galleries, exhibitions, meeting with industry contacts and potential partners. Also includes travel to build 'Content Contributor' network. Budgeted at \$170,000 for first year.

#### **Meals and Entertainment**

The cost of courting potential accounts (dining, etc.) for marketing management and staff. In addition, planning and recruiting meetings. Budgeted at \$32,000 for the year.

## **Web Translation**

According to estimates: budgeted at \$20,000 for translation

## **Dues and Subscriptions**

Annual cost for trade and general business publications, dues for industry groups. Budgeted at \$5,000 for the year.

## **Content Contributors' Budget**

Budgeted at \$32,000 per month for 8 contributors. This includes marketing, administrative and travel budgetary amounts for each contributor (\$4,000 per month per contributor).

## ***General & Administrative Expenses***

### **Salaries**

Please see hiring schedule for date of hire and salaries.

### **Administrative Expenses**

Please note: The Company is outsourcing its technical and customer service/support functions. While operations may dictate that these functions be brought in-house at some point in the future, during start-up phases and for the foreseeable future, these functions have been budgeted as outsourced items.

All Administrative Expenses, except salaries, grow by 40% in year two and 30% in years three through five.

### **Research and Development**

For technology and market development, a staff employee will work with management and outsourced vendors (marketing and technology) to continue the Company's development. Budgeted at \$60,000 for the first year.

### **Professional Services**

Accounting, legal (domestic and international) and consultant services; the projected costs of Amex financial services, Paychex and human resources fees as mandated by law. Budgeted at \$120,000 for the year.

### **Sybase/Oracle License**

For database license: \$100,000 budgeted in start-up costs. Annual fees will range between \$20,000 and \$30,000 depending on usage. We have budgeted at \$25,000 per year annually starting in year two.

## **Office Rental**

Budgeted at \$4,500 per month based on Company experience (includes triple net charges). This is based on renting a loft of 3600 square feet (\$1.25 x 3600) to use the space for the Art Center. This space will enable to organize 12 art exhibitions per year.

## **Equipment Rent/Purchases**

Office furnishings: \$22,500 budgeted for full office set-up

## **Licenses and Permits**

Government permitting. Budgeted at one-time \$200 fee.

## **Office Expenses/Postage/Printing/Bank Fees**

The cost of stationery and other consumed supplies, the cost of postage machines and overnight express and checking and credit card fees based. Budgeted at \$350 per month.

## **Utilities/Telephone**

Gas, Electric, Water and Sewer. Telephone includes local, long distance, and cellular service. Budgeted at \$4,000 monthly.

## **Commercial Insurance**

The cost of business & liability insurance. According to ECM Insurance Service, Inc., professional liability for the Company has been quoted at a premium (annual) of between \$8,500 and \$15,000 for the year.

## **PC Equipment and Hardware Maintenance**

According to the HBG proposal, the cost is \$1,200 per month. This includes as all infrastructure, hardware and support service costs for hosting and maintenance of full e-commerce website.

## **PC Equipment Project Team**

Personal computer and peripheral equipment for management team and staff. Budgeted at 5 units at \$3,000 per unit for start-up expenses. Budgeted at \$15,000.

## **Other Hardware Equipment**

PBX, Conference room equipment, etc. Budgeted at \$15,000 for the year.

## **Customer Service Support - Outsourced**

Budgeted at \$5,000 per month starting in Q1 of Y1. Support will entail returns, customer satisfaction and questions, marketing feedback, etc.

## ***Balance Sheet Assumptions***

### ***General***

Quarter One, Year One begins with the following balance sheet assumptions:

### ***Assets***

#### **Accounts Receivable**

It is assumed that sales are booked in the month of the sale and payment is collected upon delivery of the product, creating a typical accounts receivable days outstanding of 0 days.

#### **Inventory**

The Company does not anticipate significant inventory holding or other costs given the nature of its business.

### ***Liabilities***

#### **Accounts Payable**

It is assumed that accounts payable are paid 10% within 1 day and 90% within 30 days.

#### **Owner's Equity**

A Certified Public Accountant has valued ArtVoila! in terms of its initial. The Company has been valued at \$5,000,000 based on assessment of cash flow from revenues. With 20,000,000 shares available, the Company's per share value upon initial funding is \$.25.

#### **Income Taxes**

Annual Federal/State/Local

<b><u>When Over</u></b>	<b><u>Rate</u></b>
\$10,000	10%
\$50,000	20%
\$125,000	27%
\$9,999,999	33%

## Appendix B: Web Site e-Commerce Solution

### *Web Site Home Page*



### *Web Content Management*

#### **Art Sales Find Art**

If looking for something unique! Interested in a particular style or medium! You can search on ArtVoila! online gallery using the comprehensive search tool.

#### **Art Decoration**

We offer services to individuals and corporations:

- Art consulting to select, handle, ship, and install suitable artwork.
- Art renting for conference and show room, and ArtVoila! office.
- Interior art decoration from art creation to realization, and installation.
- Exterior art decoration to accommodate suitable art for environments.
- Resource procurement to achieve art project: designer, architect...

## **Artist services**

We provide to artists:

- Strategy to market their art: e-mailing list, press release...
- Internet exposure to show original artworks worldwide: FREE
- Printed material to promote art: postcard, brochure, etc...
- Writing & editing for art presentation: artist statement, resume...
- Resource to realize professional art portfolio, slides, prints...
- Contact addresses to ship, frame, and insure artwork: FREE.

## **Art Marketing**

We propose to partners:

- E-mailing lists of members to conduct marketing actions plan.
- Ad-banners to advertise products and target the art audience.
- Translation services to adapt artistic and commercial documents.
- Resources to conduct artistic projects: Designer, architect...
- Affiliate program to earn 10% commission on art sales.

## **Art News**

If looking for the latest international art news click on ArtVoila!.

## **Monthly Newsletter**

If looking for receiving the monthly Newsletter, you need to subscribe on ArtVoila!

## **Art Forum**

It is a free easy-to-use email group service. You send messages using just one email address and responses will be emailed to you.

## **Museum & Art Schools**

Find an international directory of Museums and Art Schools.

## **Affiliate program**

The affiliate program is designed to allow web sites to share ArtVoila! content with their visitors. By embedding ArtVoila! logo into their web site, affiliated are connected to ArtVoila! and they earn 10% commission on each art sale generated via their web site.

## **Advertising program**

ArtVoila! audience comes from the entire arts community worldwide: artists, curators, art industry, and collectors. Advertisers and sponsors can truly reach cross-cultural customers by advertising with ArtVoila!

We offer ArtVoila! sponsorship ideas; you can sponsor an artist or an event, a new product or a service, and even more. We can also create an advertising opportunity suited specifically to advertiser's needs.

### **Privacy policy**

ArtVoila! has created a privacy policy statement in order to demonstrate its firm commitment to privacy. This includes discloses information gathering and dissemination practices for ArtVoila! Web site.

### **Return policy**

We offer a "Total Satisfaction" return policy for all artworks that is purchased from ArtVoila! If for any reason the buyer is not satisfied with the purchase, he/she may return artwork under 10-Day Limited Money Back Guarantee.

### **Tips**

The mind of ArtVoila! is to balance the right price for buyer and seller. Through this perspective, ArtVoila! offers guidance to artist, curator and collector to determine the right price of artwork. Pricing remains subjective. However, ArtVoila! proposes a methodology, which provides detailed information for a full understanding of how to price or estimate art.

### ***Members Management Tools***

Artist members have all authority to manage their account with dedicated management tools we provide to them:

- General Account Parameter tool to update login and password
- My Gallery tool to up-load artist and artwork information
- Art News tool to write and email articles to be posted on ArtVoila!
- Monthly Newsletter access

### ***Staff Management Tools***

Staff members have all authority to administrate web site information with dedicated management tools:

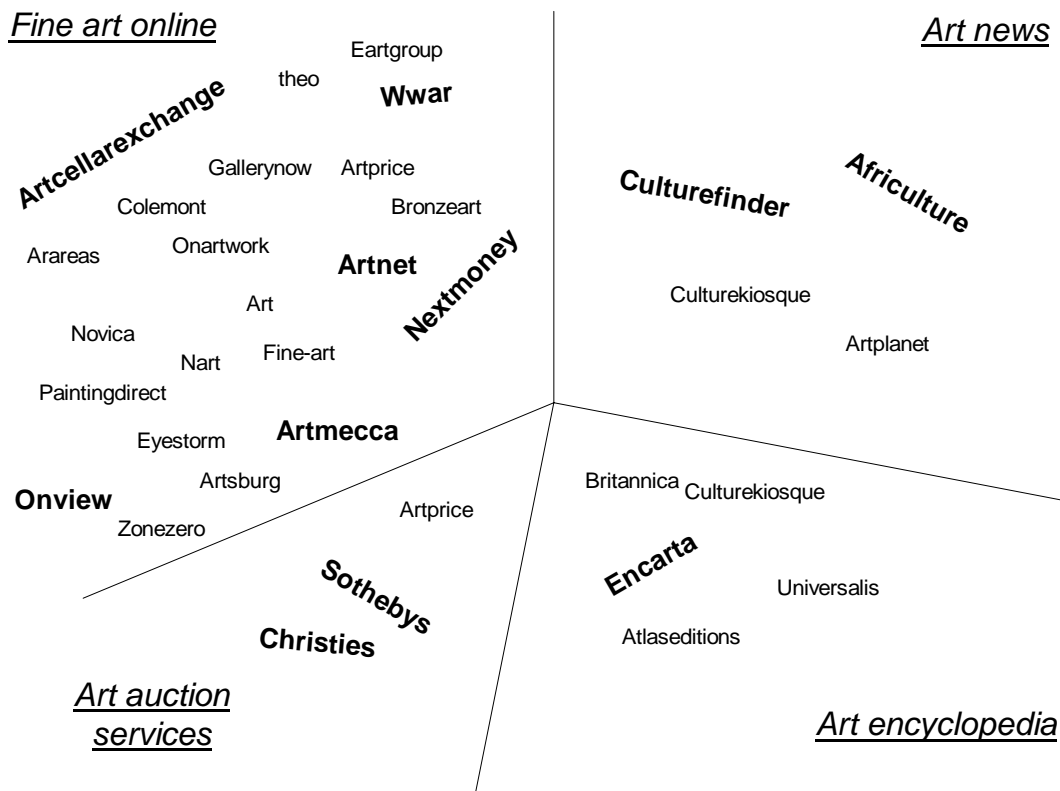
- Member Parameters tool to administrate artist members. Provides the authority to accept and validate new members but also delete accounts as well.
- Newsletter tool to edit and email the monthly Newsletter to ArtVoila! members.
- Private Forum tool to enable staff members to communicate via the web site.
- Contact Module tool to access the database and enter or delete a new contact name.

## Appendix C: Competitive Internet Environment

### Internet Art Analysis

Considering that arts on the Internet is not dominated by any one leader, but multiple "monolingual" web sites, ArtVoila! should size the opportunity to become the first cross-cultural portal of arts. The intensity of competition is low according to the structure of the art market (fragmented). Such a low concentration serves as an opportunity to enter the contemporary fine-art market. ArtVoila! should be able to hold large market shares by achieving significant economies of scale. Competition on the art industry has not been vigorous yet:

#### Mapping competitors



### Contemporary Art Web Sites

Artcellarexchange.com: The Art Cellar Exchange currently specializes in building and managing fine art collections. The Art Cellar Exchange is in the business of providing education, information and services that are pivotal in making intelligent acquisitions. Their policy is to provide clients with realistic appraisals and pricing information based on auction records and fair market value. Since its inception onto the Internet, Art Cellar Exchange has maintained its caliber as an award-winning site and continues to stay on

the cutting edge of both technology and service with creativity and finesse. Classified ads receive over 300,000 hits per month and the client base is comprised of fine art collectors, corporations, and museums.

Wwar.com: This interactive arts gateway will give you access to artists, museums, galleries, high quality art, art history, arts education, antiques, performing arts, classified ads, resume postings, arts chats, arts forums and much more. Wwar.com was started in 1994 and established in early 1995 as a web site to create an in-depth gateway to arts information on the World Wide Web. They now have hundreds of thousands of arts web sites in their databases and have recently redesigned their search engine tool. This attracts arts enthusiasts to wwar.com web site searching for information on arts.

Novica.com: It gives artists and artisans around the world a global platform to express their true artistic talents and to spur their creativity. And, they provide access to unique, hard-to-find items at great values. At the deepest essence of their philosophy, they want to create a bridge between the user and the many talented artisans across the globe. They want artists to be known. They want the customer to feel an attachment to the product and to the hands that created it.

Paintingsdirect.com: Now it is possible for everyone to own and enjoy original artwork in their home and office. They have the largest offering of original artworks on the web. Representing over 500 artists from more than 40 countries, the site boasts over 10,000 original paintings, photographs and limited edition prints. The company works directly with artists in the United States, and coordinates international recruitment and sales through a network of agents in Europe, Asia and Latin America.

Nextmonet.com/ Visualize.com: With thousands of original paintings, sculptures, photographs, and works on paper, it is the most comprehensive grouping of contemporary artwork ever assembled. To be included in the collection, each work of art must surpass the strict standards of their distinguished jury of art historians, curators, artists and critics.

Artareas.com: The ArtAreas vision began primarily with the goal of creating an exchange for collectors to sell/buy art. It allows free listings, encouraging a seller to list a piece in as many places as they wish, and only paying if the piece sells. While there are many pieces in the web site from the secondary market, the ease of use, and the level of presentation have many emerging, and even famous contemporary artists, as well as galleries from around the world. They make money by selling the art.

Onartworks.com: It is a full service fine art gallery operating over the Internet. Everything that they sell is inspected in their gallery for condition and authenticity. Their reach is global and their overhead is low.

Gallerynow.com: It is an online collection of fine art devoted to promote arts. Art in gallery now is presented in the same manner as a physical gallery. It represents artists and galleries

Artmecca.com: They believe that art should be available for everyone, not just an elite. They want to eliminate the traditional barriers that prevent many people from buying

art, and many artists from selling their art. They know that every person has their own individual tastes and styles, and what they are no one can predict. They have invited all artists to show and sell their work, allowing the buyers to decide what they like, without just selecting what they feel they would like to see. The result is an unparalleled selection of original art for purchase in a comfortable and friendly environment.

*Onview.com:* It is the premier Internet web site for purchasing fine art online. It has chosen only the highest quality galleries and dealers in the world to list items for sale on its web site. Onview.com also offers original content to serve the entire art community, including gallery web sites, an extensive art research center, a collecting guide and an online magazine. Onview.com is a privately held company headquartered in New York City.

*Artnet.com:* A central place to research, buy and sell art. The first product launched in 1989 was the Fine Arts Auction Database, the most comprehensive and user-friendly electronic archive of fine art auction records in the world. In 1995, Centrox became ArtNet and moved online to expand its portfolio of services. The Artist web site offers a reprieve from duplicating and sending slides. Prospective collectors and galleries can view selected images instantly in other countries and time zones. Participation with artnet.com will open communication with clients around the world whom might never find otherwise. The artnet.com audience actively pursues definitive information about current events, emerging trends and discoveries of new artists. It is important to note that these users represent a very select, targeted audience who are looking for exciting new additions of artwork for their collection.

*Art.com:* It is an inviting and engaging e-commerce destination that makes buying art accessible, personal and fun by offering all the information consumers need to learn about to purchase art. The site fulfills the need for an enriching and convenient source for art by offering all the world's great prints in one place. Art.com's expansive galleries feature great works by world-famous artists, such as Monet, Picasso and Ansel Adams, as well as original pop culture artists, such as Ronnie Wood.

*Art.net:* It is a cooperative of artists helping each other to come up on the Internet and share their works on the World Wide Web. Artists create and maintain studios and rooms in the gallery where they show their works. Currently, the web site is international, representing over 100 artists from around the world. They have poets, musicians, painters, sculptors, digital artists, performance artists, animators and much more. They are always open to adding artists in new areas.

*Nart.com:* It carries out the first online auction live from Paris's famed Drouot auction house that same year. More than 10,000 people from around the world visited this virtual auction house to track their bids or place their own bids. Today, positioned at the crossroads of high technology and art, Nart.com has become the favored partner for the country's leading art events; in September 1999, Nart carried out live coverage of two major contemporary art fairs, FIAC and Art Paris. Nart has many new and exciting plans.

*Fine-art.com:* It averages 550,000 page views from 200,000 visitors on the website every month. They are one of the largest web sites that cater specifically to the arts community. Their services directly target artists, art collectors, gallery owners, dealers

and art related professionals. The Internet Art Database represents a little more than half of their traffic.

## Encyclopedia Web Sites

*Encarta.com*: Much of this online encyclopedia's information including the sexiest stuff, such as digital images is locked away unless you pay the annual \$50 subscription fee, but there is more than enough free at Encarta to demand a bookmark. Type in your search string and the web site displays the hits, showing which are free and which are not. The concise articles are just that the Reader's Digest version but they are suitable for down and dirty researches. Pay your money, of course, and you can access all 40,000 articles and thousands of links.

*Artcyclopedia.com*: The mission is to become the definitive and most effective guide to museum-quality fine art on the Internet. They have compiled a comprehensive index of every artist represented at hundreds of museum sites, image archives and other online resources. They have started out by covering the biggest and best sites around, and have links for most well-known artists to keep you surfing for hours (an estimated 80,000 works by 7,000 different artists). The Artcyclopedia's custom search engine is already the fastest way to search the Internet for information about fine artists and period. They feel that the fairest approach is to rely on the worldwide network of museum professionals. So their general policy is, if an artist is in an art museum collection, then he or she is qualified to be listed on their web site.

*Atlaseditions.com*: Atlas Editions is a leading international publishing and communications company dedicated to making knowledge entertaining for the whole family. To achieve this goal, Atlas Editions utilizes multiple ArtVoila! resources an effective direct marketing infrastructure, in depth knowledge of database management, innovative product development, and an experienced international management team that will ensure continued success in the new millennium.

*Britannica.com*: It includes the complete updated encyclopedia, the oldest and largest general reference in the English language. Selected articles from more than 70 of the world's top magazines including Newsweek, Discover, and The Economist provide additional feature and current-events coverage. The guide to the web's best sites includes more than 125,000 sites, and you can also search the text of more than 100 million web pages to find more information. The related books database is available through Britannica.com, and you can follow links from these citations to order books online from Barnes & Noble. All these databases, including a collection of special online Spotlights, can be accessed through a single search.

*Universalis.fr*: It is a free knowledge and learning center for people who seek thoughtful and engaging context to today's affairs. Only French users simultaneously search the world's most respected encyclopedia, expert reviews of the web's best sites, timely articles from leading magazines and related books. Special interactive features extend these resources to create a distinctive, authoritative Internet destination.

## Art News Web Sites

*Africultures.com*: This Web site is devoted and engaged in African culture. It is a tool for art surfers, who are interested in arts coming from Africa. Its main objective consists of serving as better as possible African art. It offers calendar of events and daily refreshment of information. Public can discover news, job posting, and more. Quite often artists talk about their work and art. In addition, Africulture.com is linked to Web sites so as to complete information they already have.

*CultureKiosque.com*: It offers news, features, criticism and interviews about art exhibitions, concerts, opera stars, jazz, dance, CDs, international cuisine and technology in English, French and German. Editorial staff is composed of international journalists and critics from major dailies and publications in Europe and the U.S. Whatever kind of music and dance you enjoy, see what the critics are saying and tune into Klassiknet, Operanet, Dance, Nouveau and Jazznet on the art market in Europe, and the Cyberchef magazine will also provide you with useful leads about eating out and eating in. If you want to let them know about your favored restaurants, drop CultureKiosque.com a line.

*Culturefinder.com*: It is the leading arts ticketing and cultural information site on the Internet and on America Online. Selected by Yahoo! Internet Life as the best cultural events directory, the site provides an unparalleled array of listings, editorial content, and access to online tickets for arts events across all genres. It include more than 3,200 season schedules for arts organizations throughout the United States and Canada, Culturefinder offers comprehensive event listings in every major arts genre, including theater, classical music and opera, dance, jazz, museums, and Broadway shows.

*Artplanet.com*: The first and only web site covering international arts and entertainment events. It brings you news, information, special features, games and more in their Magazine by offering you tickets, catalogues, books and other items in shop. They bring you tailor made services and searches and special offers: from pop to classical music, opera or ballet, from exhibitions, auctions, festivals and fairs to theatre and jazz; ArtPlanet takes you to the gateway to their exclusive club facilities.

## Art Auction Web Sites

*Artprice.com*: It owns and runs one of the world's biggest art price quotation data banks, spanning paintings, prints, drawings, miniatures, sculptures, posters, photographs, tapestries (4 million results dating back to 1700). Consultable on its main web site and 900 others (secondary data banks hanging vertically from the parent), artprice.com anchors its worldwide leadership position on practically all art transactions. Sourced from over 2,900 auction houses in more than 40 countries.

*Sothebys.com*: This Institute of Art started in London in 1969 and, due to its tremendous success, quickly grew into a small university granting graduate and undergraduate degrees through the University of Manchester. Several years later Sotheby's Institute of Art, New York, was founded and, in 1989, became an accredited institutional member of the National Association of Schools of Art and Design. The courses in both London and New York are unique, giving students the opportunity to work directly with upcoming sale property.

*Christies.com*: Christie's is a name and a place that speaks of extraordinary art, unparalleled service and international glamour around the world. In 1766, James Christie opened his London auction house and launched the world's first fine art auctioneers. Christie's reputation was established in its early years, when James Christie's saleroom became a popular gathering place for Georgian society, as well as for knowledgeable collectors and dealers in England.

Christie's sales are held in over 15 major cities around the world. From Amsterdam to Hong Kong, New York to London, its business is truly international. Currently, Christie's growing operations are made up of 119 representative offices, including 16 selling centers, in 41 countries. At all of its saleroom locations, Christie's has a team of auctioneers who are capable of steering any sale. Christopher Burge, chairman of Christie's Inc., is considered by many to be the best auctioneer in the world; he presided over the astounding sale of Vincent van Gogh's *Portrait of Dr. Gachet*, which broke all auction records when it sold for \$82.5 million in 1990, and remains to this day the most expensive item ever sold at auction.