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AG House Gallery - Business Plan

Madelene Arner

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AG House Gallery - Business Plan

12/06/2021

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Confidentiality Agreement

The undersigned reader acknowledges that any information provided by Madelene Arner in this business plan, other than information that is in the public domain, is confidential in nature, and that any disclosure or use of same by the reader may cause serious harm or damage to AG House Gallery. Therefore, the undersigned agrees not to disclose it without express written permission from Madelene Arner.

Upon request, the undersigned reader will immediately return this document to Madelene Arner.

Signature

Name (typed or printed)

Date

This is a business plan. It does not imply an offering of securities.

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I. Instructions: Executive Summary

Executive Summary

AG House is an art gallery structured as a membership community club, showcasing one aspiring artist per month while bringing together curators, collectors and art interested people in a social setting with the purpose of networking and educating. Today's art world is intimidating for many, bringing forth insecurities and lack of knowledge when discovering and collecting art. AG House seeks to solve this problem by bringing together people from all areas of the art world, inspiring and educating each other through events, gatherings and programming in a beautiful setting in the heart of downtown Manhattan. By carefully selecting members to be part of this community, we desire to be inclusive of members that can all bring something different to the table. Our proposed target market includes small to medium sized artists to showcase their art in the house, curators with experience surrounding these artists and finally our main target market are young, successful people with the interest in art and financial means to be able to afford the AG House membership and the art showcased in the house.

The first year of operations, AG House will focus on establishing one flagship location in downtown Manhattan with around 250 members. Within 3 years, the goal is to have 3 separate locations in major art cities with another few locations planned. We aim to stay small and boutique, while being able to offer our members locations in several different cities. After 5 years of operations, we want to seek partnerships with art foundations, art fairs and hospitality groups in order to offer our members benefits beyond just AG House.

There are currently many membership club communities and art galleries in NYC, however there are none offering the combination of both with the purpose of bringing together collectors, curators and artists. We will offer a community space with food and beverage outlets and programming opportunities, while ensuring that our members gain knowledge and networking opportunities within the art world. All art in the house will be for sale, allowing artists to really connect and showcase their art in a fair space while they get the opportunity to connect with potential clients. AG House is founded by Madelene Arner who has an extensive background in the hospitality and art industry. Growing up with a successful artist as her grandmother, Lenke Rothman, her life has been influenced by art from an early age. Combining that with a Bachelor from one of the most reputable hospitality schools in the world, Glion Institute of Higher Education Switzerland, and an 8+ year career within hotels and events in NYC, Milan and Barcelona along with her experience and extensive network make Madelene uniquely qualified to lead this project.

II. Instructions: Company Description

Company mission statement

AG House Gallery is an exclusive members-only gallery and community space where people come to meet, network and connect through art. Our mission is to provide a space where every member feels welcomed and appreciated, creating an engaging and neutering environment within art sales.

Company philosophy and vision

- a. AG House Gallery values art, community, people, gastronomy, networking and personalization, which are all equally important to our business philosophy.
- b. Our long term vision is to become a global space representing reputable and emerging artists, without losing our niche and personalized feel.

Company goals

Short term (1-2 years):

- Find and develop the first location (flagship NYC)
- Hire a carefully selected team
- Reach out to and lock in 20 founding members
- Solicit 250 members within the first year
- Work with and showcase 12 artists (one highlighted per month) the first year
- Invite a handful of guest-speakers to meet our members

- Contract at least one event per month the first year counting from opening date
- Conduct art sales for a minimum of \$50,000/month during first year

Long term (3-5 years):

- Open 2-3 more locations nationwide (Potentially Miami, Nashville, Austin and Aspen TBD)
- Attend and represent AG House Gallery at major art fairs (Art Basel, Biennale, FIAC, Armory Show, Frieze)
- Solicit a few artists that are on brand for the company and decide permanent and semi-permanent artworks
- Partner with other hospitality brands, museums and art foundations worldwide in order to create memorable experiences for members not only at the houses

Target market

The ideal member would be a young to middle aged person within the creative industry and/or a general interest in art. We are looking for entrepreneurs and individuals that want to connect and network with likeminded. Initial demographic would be located in, or travel often to NYC where our first location will be based. In short, our members are individuals that are eager to learn more about art through a social setting and get introduced to carefully selected artist and curators.

Industry

The hospitality industry has been hit very hard since last year due to the pandemic and many establishments have been forced to close down. According to Department of City Planning (NYC), in January 2021, 146 of NYC 705 hotels had closed down due to the pandemic, accounting for 20% of all hotels. In addition, 42,000 out of the cities 128,000 hotel rooms have been closed down which counts for one third of all hotel rooms. It has been estimated that the hospitality industry will not recover to pre-pandemic levels until 2025. This is a harsh reality, although we see this as an opportunity to build up a new community and create a space that people will be eager and attracted to join post pandemic. As locations have been closed for so long, many are longing for these kinds of spaces where people can meet and connect. Research has also shown that our target market, due to the pandemic, has found a stronger interest in art and become more involved . The idea is to take away the pretentious feel that the art world and mega galleries sometimes can give off and create a community where people will feel comfortable to learn, discuss and buy art.

Legal structure

AG House Gallery has a legal structure of a corporation for the simple reason that we want to be able to offer key employees and investors stock ownership. Our long-time goal is to grow into several locations and therefor a corporation would make most sense.

Products & Services

Company's products and/or services

AG House Gallery sells art similar to any type of gallery, with a commission kept from the sale as per contract with artist. We do also sell memberships to our clients which includes access to the house and its benefits. We are looking to partner with curators, artists, chefs, restaurants, brands and hospitality groups to offer activations at our locations. This means that there will be additional products/services than just art sold in house, including F&B. The actual space will be offered to rent out for different types of private and corporate events, both by members and brands that we feel are in line with the company.

The problem the product or service solves

Right now, and throughout the world, many galleries are either very limited in terms of capacity or even closed. People are hungry and eager to go out and experience art and network again.

Although, even pre-pandemic, many galleries tended to have a pretentious feel towards them, making it uncomfortable for younger and not as art-experienced people to enter. We believe that post-pandemic, people are going to look for spaces to meet with others and socialize while expanding their knowledge in art. There are many private members clubs throughout New York City and the rest of the world, but none that is structured as a gallery where members can both experience art, buy art and socialize and network through art.

Proposed solution

If developed right, we are confident that our gallery could become such a place. Instead of just being a regular type of gallery that people visit for a short period, we want to develop a place where people can meet and interact through the art but also participate in activations such as dinners and guest talks. Think of it as an art-centered version of Soho House, without the hotel concept. This is a project for a community and membership gallery space structure, targeting the younger generation, specifically millennials and the HENRY (High Earning Not Rich Yet) demographic.

The founder Madelene Arnèr has a strong background in hospitality and feels that there is still a big need to connect art and hospitality. There are many community membership spaces, for co-working and socializing, however there are no known art galleries built and operating through this structure. By combining a gallery model with a community space and a membership structure, we are confident that it can create a larger reach and keep both the hospitality and art industry flourishing. Throughout the pandemic, many have felt a stronger need to go and meet up with people that share similar interests to connect. Therefore the timing is perfect to develop AG House Gallery.

Competitive advantage

- Art niche with combined gallery + membership community
- Personalized global experiences curated for members
- Collaborations with brands and products
- Competitive pricing
- Innovative F&B outlets
- Intimate yet many benefits
- Carefully selected members
- All of the above combined = strong competitive advantage

Pricing structure

There are different pricing structures and opportunities within AG House Gallery:

- Membership pricing will be charged monthly or yearly, with slightly lower for members choosing yearly plan. There will be different membership tiers, with discounts for art students and artists. We will also offer both global and local memberships. Membership fees range from 3-6K per year.
- The pricing for the art will fluctuate depending on artist, we want to promote and showcase both established and emerging artists. The artist will have a say in what pricing is offered for their work and AG House Gallery will obtain a 30-50% commission of art sold.

- Ticketed events and services for members in addition to monthly/yearly membership fees will occur
- F&B will offer both easy to-go products (salad, bowls, juices) to be priced competitively to other NYC cafes and a daily menu that the on-site chef decides based on produce with 2-3 meals per breakfast/lunch/dinner. The thought is to use local resources to offer F&B products based on season and what is available within reach.

Mood Board



Market research and trends

Market research

1. The total size of your industry (in New York City)

- Art Galleries: ca 1,500
- Community spaces/membership clubs: ca 245
- Restaurants: ca 25,000
- Membership club art gallery spaces: 0

2. Trends in the industry

- This and past year have been extremely different in the art market compared to previous years due to the Covid-19 pandemic. Many galleries have closed, temporarily or permanently, and auctions have been held online. The art market has become more digital and social spaces limited. A few trends that has been especially interesting for AG House Gallery during this time are;

- **Next Generation**

Millennial HNW collectors were the highest spenders in 2020, with 30% having spent over \$1 million (versus 17% of Boomers). Millennials were also more likely to be active online, reporting greater use of online viewing rooms offered by art fairs and galleries, and social media channels.

- **Many collectors felt the pandemic increased their interest in collecting**

Despite having fewer opportunities to buy in-person, collectors surveyed remained actively engaged with the art market in 2020, buying an average of nine works, versus 10 in 2019. 66% of those surveyed said the pandemic had increased their interest in collecting, and one third (32%) said this increase had been significant. Many intend to be active in 2021, with 57% planning to purchase more work. Foot traffic data from UBS Evidence Lab offers early indications of renewed visits to commercial galleries in 2021.

- **Global sales of art and antiques reached an estimated \$50.1 billion in 2020**

The figure was down 22% on 2019, but still above the 2009 recession low, when sales fell by 36% to \$39.5 billion. The US market retained its position as leader, with a share of 42% of global sale values. Greater China and the UK followed, on par at 20% - however Greater China overtook the US to become the largest public auction market, with a share of 36% of sales by value.

- **Female buying power and artist representation**

Women spent more than men, with their median expenditure rising 13% year-on-year to \$154,000. Although gender representation is still an issue across all regions surveyed, there are some indications that the share of female artists' works in collections is slowly improving over time, having increased to 39% in 2020, versus 37% in 2019, and 33% in 2018. Female collectors were more likely to have a greater share of works by female artists in their collection than men (42% versus 36%).

Barriers to entry

High startup costs

- Need to find a large enough location, real estate in New York is high although has lowered due to Covid-19.
- Need to hire pre-opening team and start paying salaries
- Marketing costs

Covid-19 restrictions that may be in place or come up, not a steady social environment.

Brand recognition challenges

- New company without any prior proof of success
- Also want to involve new, aspiring artists that might not be as recognized yet

Finding qualified employees

- Many has left New York City due to pandemic; would they be willing to relocate back for a new project?

Unionization

- Will try to avoid unionizing AG House Gallery

Threats and opportunities

Changes in government regulations

- Should new variants or strains of Covid-19 occur that the vaccine is not resistant to there might be enforced new regulations and closures of businesses.

Changes in the economy

- Due to the pandemic, the economy in NYC has taken a major hit. People and corporations do not have as much money as previously, which can lead to a reduced spend.

Changes in your industry

- At this time, competition for our type of business is low however this can change as the interest evolves. We want to constantly be developing our business in line with customer needs in order to be ahead of any unforeseen competition.

Product/service features and benefits

AG House private members club gallery will offer following products and services;

- Offers clients a space in the heart of downtown Manhattan where they can connect, network, experience and buy art or just hang out.
- Will have on site food and beverage options and a curated list of events will be offered monthly.
- Members will be able to bring in guests and get the chance to meet artists, curators and industry leaders.
- The most special thing about AG House Gallery will be that all art exposed in the house will be for sale, focusing on young and emerging artists
- Part of the space will also have the opportunity to be rented out, both to members and other companies that will make sense for the brand
- Being a member at AG House Gallery invites people to become part of a bigger community and eventually we will offer experiences worldwide within the art and food scene.
- Members will have the opportunity to become more educated and knowledgeable within art from people in the industry


Target customer

BUYER PERSONA

Age: 30
Gender: Female
Studies: Degree in Marketing
Location: New York

Job: CO-Founder of startup
Income range: \$150,000 per year
Marital status: Single
Hobbies: Networking, arts and social media

■ Motivations
■ Behavior
■ Personality
■ Interests



The image shows a woman roller skating on a snowy path in a park. She is wearing a blue top, blue shorts, white socks, and roller skates. The path is covered in snow, and there are trees in the background. The image is part of a buyer persona graphic.

For consumers

- 40% 25-35 years old, 50% 35-45 years old
- 50% males 50% females
- New York City based (initially)
- \$150K ++
- Works in startup, creative, fast phased
- Bachelor or Master Degree

Tam: Total addressable market

- Anyone interested in art
- Income level above \$95,000/year or other financial support due to membership fee and spending's on site
- NYC based or travels NYC often, due to membership gatherings and networking
- Individuals with interest in participating in social gatherings and connecting
- Cross markets, for example looking at the music industry with people that wants to expand their interests

Sam: Service addressable market

- Persons that will obtain a membership
- Members on site
- Artists
- Remote memberships
- B2B, for example other companies using the space, restaurants doing pop-ups, event companies
- Conferences
- Weddings or other personal occasions

Key competitors

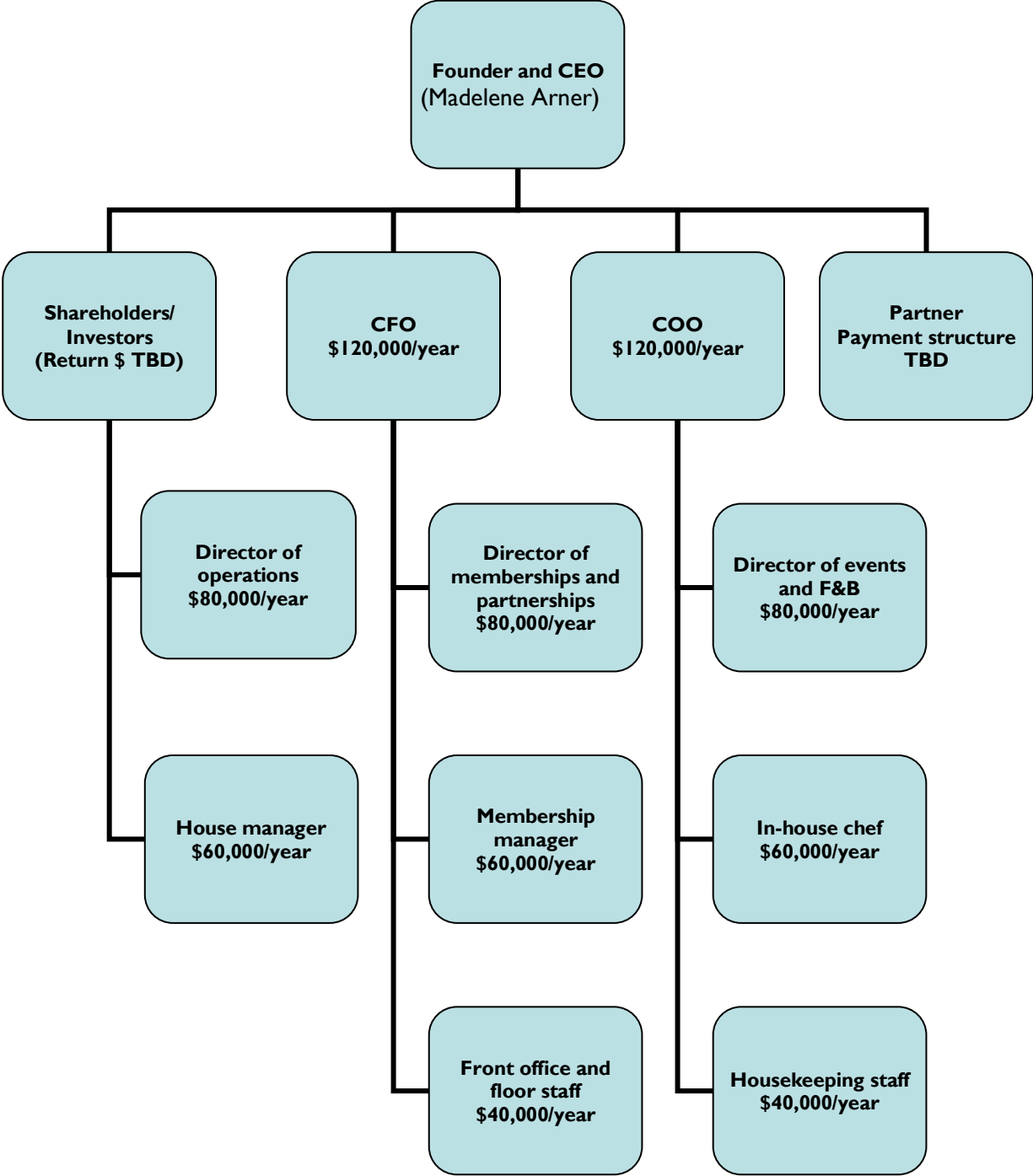
Soho House

- Value proposition: Luxury hotel and members club
- How can we be better: We would be more curated, personalized and special in who we let in. Art niche.
- What does it take to someone to switch: Many have complained that Soho house lacks personalization and has expanded faster than they can deliver high standard services. We will provide personality and even if plans to grow, we will do this at a controlled speed. In addition, we aim to create wonderful network opportunities among our members.
- What is something they do well that we don't: They have hotels as well which we don't. They are also located all over the world which we currently do not offer but plan on in the future.

Neuehouse

- Value proposition: Private workspace focused on creators, innovators and thought leaders.
- How can we be better: We do have a much more intimate experience, not focused on career space but more on networking experience. We want our members to create relationships within and connect them with the art world.
- What does it take to someone to switch: Someone looking for a very personalized experience where they can find likeminded to connect with both within and outside the house.
- What is something they do well that we don't: They have several locations. We are planning to have this once the brand expands.

Organization Chart – AG House Gallery



Resource Requirements

Strategy

- We will need to go through different phases when looking to raise capital for AG House Gallery. First phase would need to go through friends and family to gain investment from there, including personal savings and funds. Then, we would turn to potential shareholders and investors that we think would be suitable for the company, and that could also be part of the development of the business strategy. We would initially look at entrepreneurs within the field and angel investors that have done previous business in similar companies. The idea would be to eventually create a board of directors that can help with the decision process to move the company forwards.

Timing

- We are hoping to raise most capital before starting construction and development of the location chosen. This said, we will need to find an exact location to know how much funding needed for rent. Looking at similar availabilities for rent in downtown Manhattan, monthly rental charges range from \$25,000-\$35,000/month.

Capital Needed

- Depending on the location chosen, I will need funding for rent (maximum \$30,000 per month), renovations up to \$500,000 total, and staff \$71,666 per month.

- Starting cost: Rent for first year, renovation cost, staff for first year which is **\$1,720,000**

Over first two years will be completely dependable on if the company is profitable within the first year or not.

Unique tactics to save money

- In order to save money on staff cost, all employees that we hire will be given the opportunity to initiate with a lower salary but be able to enter a share vesting program. We believe that this will also motivate the employees to do great work and make the company succeed, by own will.

Conclusion - the founder's own words

Right now and throughout the world, many galleries are either very limited in terms of capacity or even closed. Although, even pre-pandemic, many galleries tend to have a pretentious feel towards them, making it uncomfortable for younger and not as art-experienced people to enter. I believe that post-pandemic, people are going to look for spaces to meet with others and socialize.

If developed right, I think galleries could be this place. Instead of just being a type of gallery that people visit for an average of 30-40 minutes, I want to develop a place where people can meet and interact through the art but also host activations such as dinners and guest talks for members. Due to lack of options in the art world, I am extremely passionate and dedicated in developing a model for a community/membership gallery space structure targeting the younger generation, specifically millennials and the HENRY demographic as me myself am part of.

I have a background in hospitality and feel that there is still a big need to connect art and hospitality. By combining a gallery model with a community space and a membership structure, I am confident that it can create a larger reach and keep both the hospitality and art industry flourishing. Throughout the pandemic, I have personally been missing places to go and meet up with people that share similar interests.

Sincerely,

Madelene Arnèr

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