

Art Advisory 101

Module 5 – Setting Up Your Own Art Advisory Business

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How do you translate your newly acquired knowledge into a profitable business? In addition to being a great art advisor, as a small business owner you need to juggle multiple roles.

In this module, we will show you how to stand out in a crowded marketplace, how to build your network and how to manage the relationships with your clients.



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Learning Objectives

Participants will gain an understanding of:

1. The basics of setting up your business
2. Promoting a me-too service in a competitive market
3. The client acquisition process
4. Contracts and why they are important
5. How to charge
6. Making technology work for you



1 The Basics of Setting Up Your Business

1.1 Understanding regulations and taxes

1.2 What is your purpose?

1.3 Two-pager business plan

1.4 Keeping the lights on



1.1 Understanding Regulations and Taxes

- First, decide on your legal structure. Are you going to operate as a sole proprietor? Incorporate as an LLC or Corporation? Speak to your CPA and find out the best option for you.
- Second, understand your market. Familiarize yourself with the business regulations of your state (if in the US) or your country.
- Small business bureaus and Chambers of Commerce often provide free advice to start-ups. Just do a Google search. If you need more advice, consider working with an attorney experienced in start-ups.



1.2 What is Your Purpose?

- Before you open the doors, you need to determine what kind of business you are going to be.
- Establishing financial and marketing goals will help you measure your success and indicate where you need to make changes if necessary.
- However, an art advisory business model is straightforward. You don't need investors, licenses or staff. Starting out, it'll be you and your laptop.
- Sticking to a complex business plan you wrote on Day 1 may hold you back rather than propel you forward.



1.3 Two-Pager Business Plan

- Instead, write a two-pager that contains answers to the following specific questions:
- Who is your ideal client? How will you provide value to your clients (helping them acquire art, successfully sell art or making introductions to artists)? What does your business stand for? White glove service? Providing transparency in the market? Why are you different from other art advisors?
- Review this two-pager every six months or every year to monitor if you are achieving your goals.
- I have included a two-pager with an example art advisory business in your course materials.



1.4 Keeping the Lights on

- Setting up your own business is not for the faint-hearted. It can take years to build a successful company.
- Ultimately, however, your business needs to be profitable. Otherwise, why would you put in all that work?
- Decide on your financial goals for the first 1-5 years. They don't need to be set in stone but you need to be able to measure your progress.
- If you're not achieving your goals, ask yourself why that is. Do you need to charge more? Increase your pipeline? Spend more time on building your network?



2 Promoting a Me-Too Service in a Competitive Market

2.1 Why is art advisory competitive?

2.2 How to stand out?

2.3 Marketing is not that complicated

2.4 It's all about personal relationships...

2.5 ...and your online presence



2.1 Why is Art Advisory Competitive?

- First, you are operating in a market in which there are many people like you doing more or less the same thing.
- Art advisory is a 'me-too service', like wealth management or legal advice.
- Second, unlike doctors or lawyers, who study for years and are required to take exams before they are allowed to practice, art advisors do not require education or licenses.
- Third, no start-up capital is required as opposed to, for example, opening a restaurant. As an art advisor you can open up your laptop and set up shop.



2.2 How to Stand Out?

- Find your niche: i.e. contemporary photography.
- Consistently do a great job for your clients.
- Build long-term relationships with clients and referral sources.
- Adhere to best practice: reputation is key in an unregulated market.



2.3 Marketing is Not That Complicated

- In a nutshell, marketing means letting your ideal clients know that you provide the services they need.
- You can be the greatest art advisor in the world, but if nobody knows about it, you'll make no money.
- Communicate with prospects through your marketing tools (in person, website, social media). Technology has made it easy to measure ROI.
- Key to successful marketing (and growing your business) is consistency. Service businesses like art advisory are built on personal relationships.
- People want to know and trust you before they refer to or work with you.



2.4 It's All About Personal Relationships...

- To be successful, you have to invest time in your network in the art industry and in related industries (wealth management, for example).
- First, this is how you obtain referrals. And of course, you'll reciprocate where you can. Go to networking events, art fairs, gallery openings.
- Second, your network can be a tremendous resource and provide you with private sales opportunities.
- Consider applying to organizations like the Association of Professional Art Advisors or ArtTable.



2.5 ...and Your Online Presence

- As important as personal relationships are, having a professional online presence is equally vital to the success of your business.
- Consumers research everything they buy online, whether it's services or products.
- Having a professional online presence is affordable for small businesses, but you can choose to spend money (Google AdWords, for example).
- Four components to online marketing: a professional website, effective SEO, an engaging social media strategy and consistent email marketing.



2.5 ...and Your Online Presence: Website

- Like your office, your brochures or your business cards, your website represents your business and what it stands for.
- These days there is no excuse for not having a professional, easy to navigate website. It is easy and affordable to either build yourself or outsource.
- You don't want to have a situation where you've had a good meeting with a prospect but they did not hire you because of your crummy website.
- The next step is to have your website actually drive business and feed your pipeline, through SEO, social media and smart email marketing.
- You can even take payments online so that you don't have to wait around for checks in the mail.



2.5 ...and Your Online Presence: SEO

- Appearing on Google and other search engines is helpful for driving prospects to your website and filling your pipeline.
- SEO (Search Engine Optimization) can seem daunting but it is not magic. It is simply a lot of work and it takes time to do it well.
- For example, keyword research is a trial and error process where you have to see what works and eliminate what does not.
- If you changed your keywords and you're not ranking Nr 1 after a week, don't worry. It can take months to achieve results.
- SEO does not just work positively (i.e. do things to improve your rankings) your site can also be punished by Google if you do things they don't like (i.e. links on your site that don't work, duplicate content).



2.5 ...and Your Online Presence: SEO

- There is no magic trick. If an SEO agency offers you a solution without wanting to explain their process, say "No" or at least ask further questions.
- Good reviews are gold dust. Set up a Google Plus or Google My Business page, claim your listing on Yelp (if you want to) and consider joining the Clarion List.
- Of course, negative reviews may also occur so take that into account when you make your decision about joining any of these platforms.
- I have put resources in your course materials that will teach you the basics about SEO.



2.5 ...and Your Online Presence: Social Media

- There is little reason not to be on social media these days, particularly in a visual industry like the art market.
- But there are better and worse ways of how to manage your presence on social media platforms.
- An abandoned Facebook page or Instagram account looks worse than not having a presence on that platform at all. It is highly time consuming, for example, to effectively maintain Pinterest.
- Stick to a couple of platforms that you know you'll have the time to post to: Instagram, maybe Facebook and certainly LinkedIn.

2.5 ...and Your Online Presence: Email Marketing

- Email marketing is an effective tool to communicate with your clients and prospects. I have included some programs in your course materials.
- You can use emails for invitations to events, for a monthly newsletter or to announce news about your business (hired staff, moved location, etc).
- Depending on your audiences and what you have to share, send out a newsletter. Watch your unsubscribe rates to make sure you don't send too often (once a month usually works well).
- Be diligent about adding contacts to your mailing list: through sign up forms on your site and people you meet who have expressed an interest.



3 The Client Acquisition Process

3.1 Are your prospects the right fit?

3.2 Managing expectations



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3.1 Are Your Prospects the Right Fit?

- You have met a prospect or a referral source made an introduction. Now you are having the first conversation; over the phone or in person.
- Let your prospect explain what they would like to achieve or what their pain points are (can't find the right art, worried about paying too much, etc).
- At this point, you or your prospect may decide this is not the right match. This is ok: better find out now than after six months of working together.
- Perhaps you can refer the prospect to another art service provider who may be better able to assist.



3.2 Managing expectations

- Make sure to answer questions. If your prospects are new to the market they have no way of knowing what to expect from you.
- Set the right expectation from the start so that there is less chance of disappointment or conflict later on in your relationship.
- Explain how your work: remuneration, time frame and contracts.
- This is a good time to mention that you adhere to Art Advisory Best Practice Principles and why.

4 Contracts and Why They are Important

4.1 The informal nature of the art market

4.2 Working with agreements is smart business

4.3 Some suggestions



4.1 The Informal Nature of the Art Market

- Many collectors still use the old-fashioned 'handshake deal' to do business with art experts they've known and trusted for years.
- But in many cases, this mechanism no longer works due to too many players; different jurisdictions; more complex transactions.
- Unlike the financial markets, the art market does not have an overarching regulatory body that regulates art transactions or professional conduct.
- The area of art law has grown because collectors and art professionals ask for advice on how to structure transactions and agreements.



4.2 Working With Agreements is Smart Business

- Misunderstanding can occur in the relationship between art advisors and clients (complex asset, opaque market, unregulated professions).
- Who will pay for transport costs? Does your commission come off gross or net sales price? Is your client allowed to work with other advisors?
- Protect yourself and your client by outlining rights and responsibilities in a written agreement. Consult an attorney with experience in the art market.
- What I tell you in this course is not legal advice, nor should you take it as legal advice. Here are some items you could consider including in your contracts.



4.3 Some Suggestions

- Your fees and how they are calculated (upfront retainer, commission percentage, hourly rate).
- The term of the contract. Art can take a long time to sell, so you want to make sure you have a reasonable time frame to do this in.
- A termination clause in case the relationship does not work out.
- How you will deal with introductions you made during the agreement that lead to sales after your agreement has terminated.



4.3 Some Suggestions

- **Exclusivity:** Are you the sole advisor with whom your client is working?
- **Payment:** When do you get paid? Do you charge interest on outstanding balances?
- **Expenses:** Who pays for what (transport, insurance, travel, etc)?
- **Warranty:** A statement that your client has legal title to the work and that they guarantee the work is authentic (when you are advising them on a sale).
- **Artworks:** A list of the artworks with photographs to which the agreement applies.
- **Whatever different/ other terms** you and your attorney feel are necessary to accurately reflect the working relationship with your clients.



5 Charging Your Clients

5.1 Different ways to charge

5.2 Free advice or business development?



5.1 Different Ways to Charge

- Many advisors charge on a commission basis. Some art advisors may charge as much as 20%, but it's more common to see commissions around the 10% mark.
- If you are competing for high value projects (for example in the six or seven figures), consider charging less than 10% and still make a profit.
- It makes sense to charge an hourly fee for auction representation: viewing the work, research, arranging paperwork and bidding.



5.1 Different Ways to Charge

- When acquiring works, your client may want you to work on a retainer basis. They may feel you have no incentive to negotiate down the price if you are getting a commission.
- This is a fair request so you could consider giving your clients the option of an hourly fee or monthly retainer instead of a commission percentage.
- Whatever the value of your client's artwork is (for a sale) or whatever their budget is (for an acquisition), you'll make c. 10% off of this number so make sure to take on projects that make financial sense for you.



5.2 Free Advice or Business Development?

- A good option is to start with a free consultation over the phone. This conversation will serve to find out if you and the prospect are a good fit.
- Charging a call-out fee to visit a prospective client's home is perfectly reasonable.
- Affluent clients expect to pay for quality. If your services are too cheap, they may feel there is little value added.
- You could charge retainers upfront. This way you will be compensated for your time spent before the acquisition or sale.
- Additionally, by charging an upfront retainer, you know your client is committed to working with you and does not just want free advice.



6 Making Technology Work for You

6.1 Embrace technology

6.2 Technology in marketing

6.3 Technology in operations



6.1 Embrace Technology

- Technology has not just had an impact on many industries by making them more transparent, but also by increasing efficiency in businesses.
- For small business owners the number of mundane tasks to keep the business going can be overwhelming.
- The technological developments of the last 5 to 10 years are making it easier for you to do these tasks yourself, or outsource them to, for example, a virtual assistant.



6.2 Technology in Marketing

- Platforms such as Hootsuite allow you to schedule your social media posts in advance, which saves a lot of time. Analytics programs are also available. More information in your course materials.
- Mailchimp and ConstantContact are examples of platforms that allow you to build beautiful email campaigns, link them to your website and design sign up forms to grow your mailing list.
- To maintain your contact lists, you can consider CRM systems such as Zoho or Salesforce. If that is too complex, stick to Google, Outlook or Apple contacts.



6.2 Technology in Marketing

- For websites, you can consider [squarespace.com](https://www.squarespace.com) or Wordpress. You can easily build a [squarespace.com](https://www.squarespace.com) website yourself, but for Wordpress you may require a little bit more coding experience.
- To track your website traffic, use Google's suite of tools: Webmaster, Search Console and Analytics. Link these to your website.
- To increase your (local) rankings, set up a Google My Business page (if you have a physical location) or a Google Plus page.



6.3 Technology in Operations

- Many processes and tasks can be outsourced or automated. Data entry, bookkeeping and payroll take up a lot of time because they can get complicated.
- Ask a CPA to do your taxes or use a program like TurboTax. Use Paychex or an equivalent to do your payroll.
- For administrative tasks and bookkeeping you can look for a virtual assistant at TaskRabbit or UpWork. There are many other platforms.
- Use PayPal or Stripe for taking payments online through your website. Make it easy for your clients to pay you.
- I have included additional resources in your course materials.



End of Module 5

That concludes Module 5 of Art Advisory 101.

Don't forget to take your quiz to obtain your Certificate of Participation!

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