

JANUARY 1999

QUOTE OF THE MONTH
"As an art retailer you always sell best what you love and what you understand."
Stephanie Allen, page 24

THE POWER OF CROSS-MARKETING
Recognition of the marketing reality that one plus one is greater than two has not been lost on large marketers of consumer goods. But cross-marketing is not just for megafirms. Art galleries and publishers can also benefit from creative tie-ins.

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SOUTHERN CALIFORNIA: INTO THE LIGHT
As real estate has climbed an estimated 10% statewide for an existing home, so has the art market.

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INTERNET SPEEDING VIA CABLE HOOKUP
A file that takes eight minutes to download over a 28.8 modem connection, two minutes on ISDN, takes about eight seconds through a cable company.

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LOCATION PARAMOUNT, BUT HIDDEN COSTS MAKE OR BREAK A NEW GALLERY

Opening a new retail space is always a challenge. From locations to leases, the savvy dealer looks for ways to minimize the risks. Horror stories abound of galleries that opened in neighborhoods where there was no customer traffic. The new owners wound up spending a small fortune to advertise their presence—often to no avail. And then there are those dealers who sign a lease—but fail to analyze the hidden costs.

In choosing a location, "Fifty feet in one direction or the other really can make a difference," says Steve Addi, president of Addi Galleries and Addi Fine Art Publishing, who recently opened a 3,000-square-foot gallery in the Reno Hilton Resort Casino. He closed two of his other Reno galleries to move into this new space, because it was in a better location—closer to the casino and with more foot traffic.

Whether you spot a gallery in a mall, in a hotel, or as a storefront on a city street, you should interview shopkeepers, managers,

and owners in the vicinity, Mr. Addi says. He asks his prospective new neighbors about how their business is doing, whether they like the landlord, and what the traffic is like.

He also keys in on seasonal factors. If a street is humming in October but dead in August, it's best to know that and plan your business accordingly.

Traffic is essential, but the quality of that traffic is a factor, too. In San Francisco, says Mr. Addi, "I wouldn't have a gallery at Fish-

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IRS Looks for Loopholes in Art Dealers' Tax Return Filings: Survey Findings

The Internal Revenue Service has turned its attention to the art community, namely art galleries and artists, and released a report to show where problems exist in reporting income. Known as the "Market Segment Specialization Program" (MSSP), this audit guide is designed to educate IRS examiners about art galleries and artists, how they do business—and areas of potential trouble.

The IRS's knowledge of an industry is acquired by subjecting all of that type of business in a given area to in-depth audits. The result is usually a snapshot of how an industry works—and the areas where tax laws are abused.

When it was the turn of art galleries and artists to come under the IRS microscope, an unnamed city in New Mexico was selected as the area of focus.

Here IRS auditors discovered a number of problems in the filing of tax returns by gallery owners and artists. These are outlined in an IRS MSSP audit guide as follows:

- Unreported income from cashed checks from galleries to the consigning artists
- Diversion of income by sale of credit card business to related or other business entities
- Capital gains versus ordinary income

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ART.COM BUYS THE ART PRINT INDEX AND FORMS BUSINESS-TO-BUSINESS WEB SITE

LAKE FOREST, IL—art.com Inc., an Internet-based company offering artwork and framing services, has purchased the *Art Print Index* from Guaranteed Merchandise Enterprises Inc.

This annual publication, with over 90,000 source listings for prints and posters, 13,000 artists, and 1,300 publishers, will become part of art.com. Its owner and publisher, Greg Henderson, continues as consulting editor.

Bill Lederer, founder and president of art.com, says the intention is to create a separate online business-to-business service at the *Art Print Index* web site, artprintindex.com.

A web-enabled CD-ROM link to artprintindex.com is being offered free with the purchase of the *Index* directory. A resale number is required from buyers at the site to ensure trade usage.

Up to this point, art.com has been predominantly a consumer site. With a database of 100,000 prints, posters, and originals, by arrangement with various publishing companies, it also offers an online framing service.

The company is currently working on arranging with publishers whose work is listed in the *Index*, and who do not already work with art.com, to make their work available for sale at artprintindex.com.

Founded in 1997, art.com was artuframe.com prior to buying the art.com name from a helicopter engineering company for a six-figure sum. Mr. Lederer told *Art World News* that subsequent to its purchase of the *Art Print Index* and the art.com name, the company has taken on approximately \$10 million in funding from venture capital firms.

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