



Case Study

Sivertson Gallery

Grand Marais, Minnesota
C.J. Heithoff, Manager

This case study demonstrates how a retail art gallery can expand both out-of-season and out-of-region sales through e-commerce. It also shows the power of the Internet to provide tailored direct marketing to customers of niche artwork.

Profile

Sivertson is a retail art gallery featuring regional artists like Howard Sivertson, as well as an expansive collection of Alaskan and Canadian Inuit art, a niche that the gallery has actively developed. In addition to artwork, the gallery offers framing services. Most of their customers are from out of town – tourists visiting the area and second home owners. Although it is open year round, the gallery’s primary season begins at the end of June and extends through October. The winter season is highly variable, since tourism during the winter months is dependent upon snowfall. The gallery also benefits from an Inuit Festival held in March, although the festival would benefit from greater community support to attract more visitors.

History

Sivertson Gallery was established in Grand Marais, Minnesota by Howard Sivertson and his daughter, Jan, as a home-based business in 1980. Both Howard and Jan are artists, and Howard realized early in the business endeavor that his love of painting was greater than his interest in running a business. Jan, however, had an interest in the business, and in 1982, moved the gallery to a space in downtown Grand Marais. The gallery gradually outgrew its original location and, in 1995, moved into its current larger and more prominent main street location. The gallery was renovated in the early 2000s into a space that complements the quality artwork it contains. Currently, the gallery has five full-time employees in the Grand Marais site and four in its Duluth location.

Jan Sivertson has served as manager of the gallery since 2002. When she arrived, the gallery had a Web site that was informational only and was not generating much in terms of sales. Since there are no plans to expand the physical space that the gallery operates, the only means of expanding the business is through the Internet. The key need for the gallery

is to expand its sales throughout the year, not just during the limited tourist season in the region. According to Sivertson, nothing else can expand their season as much as the Web site does. With that as a goal, Sivertson has worked to expand the e-commerce capability of the site over time.

Business Location

Grand Marais’s economy, like much of northern Minnesota, was historically tied to the timber and mining industries. The population, which peaked around 1899, declined to 200 in 1915 as the timber companies moved away. Slowly, with the development of better transportation infrastructure and the creation of a marina and a national recreation area, the region has become a second home and tourist destination. Grand Marais (2000 population 1,353) is the county seat of Cook County, a nonmetropolitan county (2000 population 5,168). The county is the tip of the Arrowhead Region of northern Minnesota, located 110 miles from Duluth and 265 miles from Minneapolis.

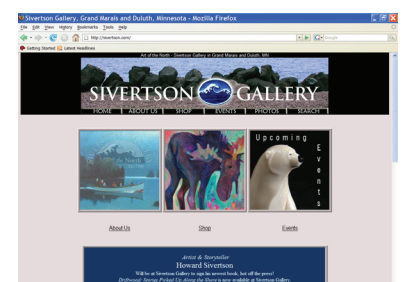
Role of e-Commerce

In 2004-2005, Sivertson and staff revamped the Web site to feature a shopping cart to take full advantage of e-commerce. They worked with Boreal Access, the cooperatively-owned local ISP, to do the Web development. She had a vision for the site and was able to take that vision to Boreal, and they helped make it a reality. Sivertson has also built her own skills over time, by taking classes on the Web and learning from anyone who can help her. As she has gotten more comfortable with Web site development, the gallery has wanted more control over the site so that it truly reflects the vision for the business. However, Sivertson continues to work with Boreal, which hosts the site and serves as ISP, and

Area Population: **1,353**

Web site:

www.sivertson.com



describes the cooperative as “a great community resource.” They have the IT skills the gallery needs to implement e-commerce so that it benefits the business.

At present, the Web site generates about 3 percent of the gallery’s sales. Sivertson’s personal goal is to have the Web site function as another store, generating 25-30 percent of the gallery’s total sales. However, the gallery owner, Jan Sivertson, is cautious about making investments in e-commerce. She needs to see that the investment will affect the bottom-line in a positive way. Although sales from the site are covering the costs of Web development currently, more investment will require a greater impact on revenues. However, higher energy costs and a slow down in second home development mean fewer visitors to the region and, for the gallery, fewer potential customers. If additional investments are made in the gallery, it will most likely be in the e-commerce side of the business rather than brick and mortar.

The gallery’s Web site currently serves several functions. Customers who have visited the gallery in Grand Marais (or the one in Duluth) can use the Web site to order additional artwork, or purchase a piece that they admired but did not purchase earlier. The Web site allows gallery staff to communicate quickly with customers, facilitating customer service. Customers interested in Sivertson’s niche market, Alaskan and Canadian Inuit art, find the gallery through Internet search engines and can expand their own collections through purchases from the gallery. Sivertson’s staff maintains an e-mail list that can be used, through point of sales information, to identify customers of a particular type of art or artist, and send targeted emails when new artwork comes into the gallery. The gallery can send the customer information about the artwork and a link to a high quality photograph of the piece. This resource is particularly useful for collectors of both Inuit art and specific regional artists that the gallery features. In general, the Web site has helped keep customers connected with the gallery and allowed them to learn about new pieces and make purchases even if they had no plans to visit the region.

Challenges and Lessons for Rural Entrepreneurs

The positive experience that Sivertson Gallery has had using e-commerce to extend its sales throughout the year is not without some challenges and lessons for other rural entrepreneurs:

- Internet access was a particular challenge as the gallery sought to develop a Web site that reflected the high quality of its artwork and offered e-commerce capabilities. Speed of connection was very important to the gallery as the site was

developed. Dial-up service only would have made it impossible for them to connect with the Duluth store and also would have made it too slow for the photo-heavy site that Sivertson needs to effectively reflect their artwork. The presence of Boreal and the cooperative’s ability to extend high-speed Internet access into downtown Grand Marais was a major benefit to the gallery.

- As with other rural entrepreneurs, building an e-commerce Web site was not the end of the challenge for Sivertson. Sivertson is now working on developing the meta text that will help to elevate the site on search engines. This search engine optimization is an issue that challenges the gallery and assistance through classes and other local resources would be of great benefit to them.
- The other important challenge for Sivertson is finding the time to devote to developing the Web site. Right now, the Web site is not generating the volume of sales that would justify having a full-time position devoted to Web development. The responsibility falls primarily on Sivertson and other staff who must carve out the time for Web development in addition to their other responsibilities at the gallery. This situation is a catch-22 for many rural entrepreneurs – growing the Web site requires growing the business first. But, for Sivertson, growing the business may well depend on further developing the e-commerce capabilities of the Web site.
- One recommendation that Sivertson would have for rural entrepreneurs who are building their Web capacity is to be sure that the business is on solid footing before expanding into the Internet. She noted that it is important to be able to do the business well before a Web site will bring benefits to the entrepreneur. In the case of Sivertson, the gallery had developed a niche and a reputation for featuring high quality regional and Inuit artwork. The brick-and-mortar gallery was well established and successful. The Web site built on that solid footing to bring in additional sales, maintain and build customer relationships, and augment the success of the business. According to Sivertson, building the bricks and mortar business and then the online business, in this order, is important.

From e-Commerce as a Strategy for Improving Business Vitality: Lessons Learned from Small Businesses by Deborah M. Markley, David L. Barkley, and R. David Lamie

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