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## Direct Marketing Project

Arts and crafts are an important part of the social and economic activity in Nunavut. This project documents the current status of this important sector **as a marketplace** and proposes steps to support and grow these activities for the benefit of Nunavummiut.

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## Direct Marketing Project

### 1. Executive Overview

The arts sector in Nunavut makes an important cultural and economic contribution to the territory. In economic terms alone the sector contributes tens of millions of dollars annually towards Nunavut's economy through the sale of a broad range of hand-made art work, including but not limited to: carvings in stone, ivory, bone, and antler, fine art prints, drawings and paintings, woven tapestries, basketry, contemporary fashions, traditional clothing, jewelry and metal art.

*Sanaugait: A Strategy of Growth in Nunavut's Arts and Crafts Sector* includes seven goals. Progress toward several of these goals can be made through the use of Direct Marketing processes, tools and technology. The Internet can be used to bring together the artists and the support organizations in Nunavut, the distribution organizations, the galleries and of course the collectors to the benefit of all.

This proposal recommends that building on existing artist skills and entities, existing marketing channels and gradually improve those existing entities and resources, using the Internet and in the final stages, a complete e-Business portal.

In sections of this report headed *Concerns and Issues*, and *Financial Analysis of Channels*, the current status of this important sector is discussed. The roles played by various groups and organizations are outlined in the section *Sector Roles*. Finally in the *Recommended Approach* section, the report outlines a step by step use of technology and the Internet to strengthen the existing players and roles in the sector while introducing new marketing channels that will grow the sales in quantity and quality.

The report concludes with a detailed list of sub-projects and activities needed to move forward and a proposed budget for the short term.

In summary, this report describes the opportunity for direct marketing activities and proposes a series of modest steps to move toward a full direct marketing approach using an e-Business Internet portal.

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This report was initiated by Nunavut Broadband Development Corporation (NBDC) under the direction of Nunavut Arts and Crafts Association (NACA). The bulk of the work was completed by Harry Deckert of Ottawa under contract with NBDC. Harry passed away on May 25, 2008. The report was completed by staff of NBDC.



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## Direct Marketing Project

### 2. Purpose of Project

The arts sector in Nunavut makes an important cultural and economic contribution to the territory. In economic terms alone the sector contributes tens of millions of dollars annually towards Nunavut's economy through the sale of a broad range of hand-made art work, including but not limited to: carvings in stone, ivory, bone, and antler, fine art prints, drawings and paintings, woven tapestries, basketry, contemporary fashions, traditional clothing, jewelry and metal art.

In order to support the arts sector and stimulate economic growth and diversification in the arts economy in Nunavut, *Sanaugait: A Strategy of Growth in Nunavut's Arts and Crafts Sector* was developed by the Government of Nunavut's Department of Economic Development & Transportation, in cooperation with artists, arts associations, other territorial government departments, the federal government, Inuit organizations, co-operatives and other private sector interests. *Sanaugait: A Strategy of Growth in Nunavut's Arts and Crafts Sector* was formally approved by the Government of Nunavut in June 2006. The *Strategy* offers a plan that will help to attain the *Nunavut Economic Development Strategy* prediction that by 2013, "this sector will contribute at least \$50 million annually to the territorial economy.

#### Sanaugait Strategic Directions: Goals and Objectives

*Sanaugait: A Strategy of Growth in Nunavut's Arts and Crafts Sector* includes the following seven principal goals:

##### Goal 1: Increase the quality of Nunavut art

- Improve access to materials, supplies and equipment.
- Create affordable, safe workplaces for artists.
- Increase skill levels through the education curriculum.

##### Goal 2: Maximize artist's profits through participation in the value added chain

- Increase the participation of artists in all aspects of the value added chain.
- Increase direct marketing.
- Provide artists with basic business training aftercare.

##### Goal 3: Secure market share through protection of intellectual property rights

- Provide information about copyright and intellectual property rights in Inuit languages.
- Provide intellectual property rights training for artists.
- Lobby for international recognition of Nunavut's intellectual property rights.

Goal 4: Secure market share through international brand recognition

- Make Nunavut's arts instantly recognizable throughout the world.
- Promote the differences between "fakelore" and authentic Nunavut art.
- Augment the Igloo Tag program.

Goal 5: Expand international market share

- Identify new markets not impacted by trade restrictions.
- Develop alternative national and international markets.

Goal 6: Provide current and accurate information about the arts sector

- Promote recognition of Nunavut's artists.
- Improve access to information for artists about the arts as an economic sector.
- Collect economic data on Nunavut's arts sector.

Goal 7: Promote and celebrate the contribution of Nunavut's arts to global society

- Establish a permanent location for the Nunavut Art Collection in Iqaluit.
- Create a touring Nunavut art collection for international venues.

The Direct Marketing Project is intended to support and grow the arts sector within the goals described above using tools, procedures, partners and technology appropriate to Nunavut.

More specifically, the Direct Marketing Project description is as follows:

During the next two fiscal years NACA will investigate with the help of Nunavut Broadband the potential for internet sales directly from the community through art agents showing artists work on consignment to the galleries and public. Galleries will be surveyed, artists will be interviewed, other similar websites will be researched, a template will be setup and tested. The concept will be explored to find the best way to support the community producers who at present lack a market for sales.



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### 3. Market Overview

Inuit art first gained the attention of the international market in the 1950s and for decades the worldwide artistic reputation of Canada's Inuit has been based largely on carvings as well as prints. Early development of Inuit art was greatly assisted by the Hudson's Bay Company and the Canadian Handicrafts Guild. Inuit-owned cooperatives were established in the 1950s and 60s in most Arctic communities, as well as art marketing agencies in southern Canada. In particular, Inuit sculpture has achieved an international reputation as a major contemporary art form.

Although carving and printmaking continue to be central to Inuit artistic expression, today's producers include Inuit carvers, basket makers, jewellers, fibre artists, painters, printmakers, seamstresses and tapestry artists. They are the creators of a broad range of hand-made art work, including but not limited to: carvings in stone, ivory, bone, and antler, fine art prints, drawings and paintings, woven tapestries, basketry, contemporary fashions, traditional clothing, jewellery and metal art.

However, in an evaluation of the Inuit Art Foundation <sup>[1]</sup>, some perceptions of changes that have affected Inuit art over the previous decade (1990s) were summarized as follows.

### Quality of Inuit Art

Art specialists and dealers shared a perception that while good art is still being produced, there is a general decline in the

quality of art <sup>[2]</sup>. They suggested a number of reasons:

- Co-operatives may not be sufficiently firm about the quality of the work they buy because they know that even below standard work will sell;
- Some buyers may not have sufficient knowledge of Inuit art and purchase the work of less experienced artists at a higher price than it warrants; and
- Renowned artists can secure high prices because of their reputation, regardless of the quality of their pieces.

Issues relating to the 'quality of art' have been discussed briefly elsewhere in this report

### Inuit Art Market

The production of Inuit art continues to play an important role in the economies of many of Nunavut's communities. Over 27 percent of Nunavut's population is involved at some level of arts production. Many of the Territory's artists have received international recognition. It has been estimated that the annual sales of Inuit art are in excess of \$30 million.

The view is often expressed that the market for Inuit art is in decline and wholesalers may even view it as mature (i.e., they do not see significant growth potential). However, while the market in Canada may be in decline, markets in the United States and Europe would seem to be expanding since the Internet has opened global markets and facilitated greater access to art by foreign collectors. In fact, world record prices

<sup>[3]</sup> for Inuit art at Waddington's clearly indicate that Inuit art is recognized as collectable.

### **Existing Sales Channels**

At present, the artists in Nunavut have a variety of ways of selling their work. These include:

- Wholesalers such as: Arctic Co-ops Limited (ACL) through community co-ops;
- The North West Company (TNWC); and Nunavut Development Company;
- Local independent buyers;
- Sales representatives/agents;
- Door to door sales;
- Nunavut Arts Festival
- Tradeshow sales and exhibitions;
- Cruise ship sales; and
- selling directly (via the Internet) to galleries within Nunavut, across Canada, or worldwide.

Each of these channels offers the artist both benefits and disadvantages. Some of them are described in Section 6. Possible Sales Scenarios.

The problem with the wholesale distribution channels is that they tend to generate substantial mark-ups between the price that the artist receives and the price that the collector is charged. So much so, in fact, that when the artist takes into consideration the costs of his materials, he is quite likely to receive about the same amount of money as is collected by the provincial and federal tax departments (PST and GST).

Currently, collectors visit galleries when they are looking for Inuit art. Galleries can best be described as the retail face of Inuit arts. Generally speaking, the staff in galleries are very knowledgeable and are prepared to spend considerable time with buyers to provide the buyer with a feeling of comfort as to the value and authenticity of the art work. However, galleries often tend to specialize and limit themselves to a narrow range of artists and/or art work. It can be extremely difficult for younger artists to gain their acceptance.

An estimated 18,000 people (tourists and visitors on business trips) visit Nunavut annually. The range of tourism activities includes eco-tourism, sports hunting and fishing, and cultural

adventure and educational tourism activities. Cruise ships now visit four Baffin communities annually. This provides a significant opportunity for artists to either sell directly to tourists (door to door or at the Nunavut Arts Festival) or through Nunavut based galleries. In either case, the artist should be receiving a larger percentage of the price paid by collectors. Another significant factor is that the money is paid and made in Nunavut rather than in southern galleries.

On the other hand, direct marketing, via the Internet, is neither an easy nor guaranteed path to greater profits. The difficulties that may arise with direct Internet marketing are outlined in Section 9. Recommended Approach.

Another market has been developed recently through the Nunavut Department of Economic Development & Transportation. The Nunavut Development Corporation will facilitate the development of authentic, hand-carved inuksuit from across Nunavut that will be showcased as part of the 2010 Winter Games retail product line. More than 1,200 Inuit artists are expected to participate in the program, carving inuksuit in one of 11 distinct community styles or forms. While this may be viewed as a single marketing event, it will provide considerable work for artists across the territory. Hopefully, it will be tied in with opportunities to showcase a broad range of Inuit art works at a higher level of quality than souvenirs. This is an excellent opportunity to position Inuit art in an international and truly global marketing opportunity.

### **What's so special about Inuit art?**

[4]

It's simple – the people who make it.

### **Summary**

During the literature review for this project, several comments have stood out:

'The marketing system for Inuit art in Canada is the envy of indigenous groups worldwide.'

'Fifty years of marketing expertise shouldn't be disregarded as people dream of selling the eBay way.'

'Using the Internet to sell art would simply extend the opportunity for people to peddle sub-standard work.'

This project is all about how to

'Increase the value of Nunavut's arts sector through investments that improve quality, stimulate innovation, and support sustainability, in partnership with Nunavut artists, their

[5]

organizations and their communities '

We hope to leverage the marketing expertise, that has been so successful during the past fifty years, as an integral component of the eventual solution. Furthermore, we have recognized the need to maintain, and in fact, improve the quality of Inuit art that is presented to the global marketplace. We will endeavour to establish a mechanism to achieve this.

Most importantly, the project's goals are in line with the seven principal goals of Sanaugait.



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[1]

Evaluation of the Inuit Art Foundation, March 2001 by Prairie Research Associates Inc., and Sarah Silou.

[2]

Issues relating to the ‘quality of art’ have been discussed briefly elsewhere in this report.

[3]

Waddington’s™ Auctioneers & Appraisers.

[4]

John Houston, Director, Houston North Gallery

[5]

Mission statement for development of the arts economy in the Territory from a focus group that met in Kimmirut in 2005.



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### 4. Artists Overview

For decades, the worldwide artistic reputation of Canada's Inuit has been based largely on exquisite carvings of stone, antler and bone, and to a lesser extent, prints. While carving and printmaking continue to play a central part in both Nunavut's economy and the artistic expression of its people, Inuit arts and fine crafts today are becoming known as a complex body of work encompassing a wide range of personal and regional styles in media that include the fibre arts, jewellery, ceramics and painting.

It's appropriate that these arts and crafts would engender the same appreciation beyond the North that carving has, as they too have grown directly out of skills developed and observations made over millennia on the land. One of the world's least forgiving climates taught not only carving techniques and the properties of different stone in the fashioning of spear points, qulliq (oil lamps) and small implements, but the metal-working skills that today contribute to jewellery making. From the simple need to clothe families has today grown Inuit fibre arts - tapestries, appliqué, fur fashions, and dolls. From the need to store foods, the nearly lost but now burgeoning craft of Inuit ceramics. And from a desire to beautify many of these everyday objects when Inuit lived on the land, we have today the prints now being produced and appreciated by people everywhere.

Carving skills were developed not merely in the production of everyday objects critical for survival. Intricate carvings sometimes communicated stories and legends that - if not passed down orally - might have been lost. Today, Inuit artisans and craftspeople - freed from the need to produce items that are functional first and foremost - draw on and explore the rich collection of Inuit myths, legends and spiritual beliefs even more heavily, and most recently, have found their arts to be a means of addressing the social changes that Inuit society continues to undergo.

### Carvings

Because of sculpture's durability, we know more about this medium during the pre-historic period than any other form of Inuit artistic expression. What we know we know mainly through small engravings and carvings both whimsical (doll-like figures) and spiritual (talismans). Many of these date to the Pre-Dorset culture (2500-800 B.C.). In the historic period, through the 19th and early 20th centuries, Inuit traded

representations of animals and mythical figures with whalers, explorers and other newcomers to the Arctic.

Everything changed for Inuit art with the visit to the Arctic of Canadian art school graduate James Houston in 1948. Recognizing carving's potential for easing the inevitable entry of Inuit into a modern wage economy, Houston gained the support of the Hudson's Bay Company and the federal government, and with the Canadian Handicrafts Guild (now the Canadian Guild of Crafts), staged the first exhibition of Inuit art in Montreal in 1949. The South's fascination with these Inuit sculptures created an immediate market, a new sector of the northern economy, and opened the way for the marketing of other Inuit arts and crafts.

Soapstone was an early favourite for its softness, but better tools mean harder, longer-lasting serpentine is most common today. Marble, argillite and quartzite of many shades and hardnesses are also used, as are ivory, antler and bone.

There is some degree of carving activity in every Nunavut community. The stone from which a carving is made often indicates the community from which it originated. Subject matter can also suggest the region or even community of origin. Individual artists also have their own styles and favourite themes.

### **Prints**

The Inuit people's long experience with engravings - all the way back to Pre-Dorset culture - make printmaking a natural complementary form of expression. It was not until 1962 that James Houston encouraged Cape Dorset artists to produce the first Inuit prints marketed in the South, but since that time artists in Baker Lake (1970), Pangnirtung (1973) and Clyde River (1981) have released regular collections. Many Inuit printmakers work individually or, increasingly, in less organized groups across Nunavut, as well, of course, in well-known Inuit printmaking centres outside the territory such as Holman, Northwest Territories, and Povungnituk, Quebec.

Since James Houston introduced Cape Dorset printmakers to stonecuts and stencilling, Nunavut artists have experimented with a variety of other techniques. Among them, woodcut, silkscreen, lithography, engraving and etching.

Each community has a recognizable style and preference for subject. For the most part, Inuit printmakers in Nunavut have focused on the natural Arctic world, Inuit mythology and scenes of everyday traditional life. Printmakers have not yet turned their attentions to current social issues to the degree carvers have (famed Cape Dorset printmaker Pudlo Pudlat's well-known explorations of airplanes and other symbols of modernity are a notable exception).

### **Fibre Arts**

Practically, Inuit fibre arts in Nunavut began with the clothing

necessary to survival and doll-making to train young girls how to sew. Commercially - with the exception of clothes or dolls exchanged with newcomers - its roots are in 1960s initiatives such as a Pangnirtung weaving project and even before that, garments and tapestries from Baker Lake.

The Baker Lake initiative grew in part out of a near tragedy in the 1950s. When caribou migration patterns changed, the inland Inuit of the Keewatin (Kivalliq) faced the disappearance of their key food source and the source of most of their fabric (coastal Inuit fashions made more use of sealskin). Baker Lake women turned to southern fabrics and advice provided by female teachers and other qallunaat (non-Inuit) living there. The combination of traditional Inuit skills, European techniques, and new textiles in brilliant colours gave rise to beautiful wall-hangings demonstrating the kind of vibrancy and uniqueness that this marriage of traditional and modern today brings to a wide variety of fibre arts in Nunavut.

Among these items, Baker Lake remains best known for its embroidered wall-hangings, the Pangnirtung Uqqurmiut co-op releases several new tapestry designs each year, and Taloyoak is renowned for its "packing dolls," arctic animals carrying their young in wool duffel parkas. Duffel (heavy wool) and inlay and appliqué clothing are produced in many Nunavut communities.

### **Jewellery**

Inuit have created small, purely decorative adornments in ivory and bone for centuries. Women wore hairsticks - pieces of caribou bone around which they wound their hair - as well as copper or leather headbands decorated with animal teeth. Amulets were worn to ward off evil and bring good fortune.

More recently, Nunavut's artists have experimented with mixed media pieces and new materials such as silver. This art form was bolstered by a Department of Indian Affairs and Northern Development crafts competition in 1976 that encouraged artists to fashion new and original "things that make us beautiful." Jewellery workshops resulted in Iqaluit and Cape Dorset, and in the 1990s, a jewellery-making program at Nunavut Arctic College (NAC). Many communities in Nunavut have since received courses/programs in metal jewellery from NAC.

From earrings, broaches and bracelets to the Legislative Assembly of Nunavut's Mace to freestanding silver sculptures, Nunavut's jewellers are making a name for themselves within the Inuit art world.

### **Ceramics**

With the 1962 closure of the North Rankin Nickel Mines that had, in effect, created the community of Rankin Inlet in the 1950s, government was anxious to encourage artists there to explore new, potentially marketable areas. Under the coordination of a federal government arts and crafts officer, these artists tried their hand at carving, sewing and ceramics.

By 1966, the Rankin Inlet Ceramics Project had produced a large collection of innovative pieces that drew on new techniques and traditional themes and designs, but their sale was not yet approved and no market had been developed. In March 1967, a highly promoted Toronto exhibition provided Rankin Inlet ceramics with an instant national profile and critical success. This was clearly a medium for expressing traditional Inuit themes and a truly Inuit perspective on the world. Unfortunately, the pieces may have been priced beyond what most potential collectors were willing to pay for a less well-known Inuit art form, and the connection to traditional methods and materials could not be clearly established in the public mind at a time when Inuit carvings and, interestingly, prints were in great demand due to just such a public perception. The workshop struggled on for a number of years, but closed in 1977.

However, since the early 1990s, a local gallery, the Matchbox Gallery, has been encouraging Rankin Inlet's artists to revisit ceramics as a means of self-expression, with some promising results.

### **Painting**

Not a great deal is known of painting in Nunavut's pre-historic period, though a number of Europeans and southerners of the 19th and early 20th centuries collected drawings made by Inuit. Painting was a natural development of traditional visualization and hand-eye skills as well as the introduction of printmaking in the early 1960s. Even today, most Inuit prints begin with a paper drawing that is then transferred to the printmaking medium (e.g. stone), so the choice to not make this transferral and to instead approach the paper image as the final product from the beginning seems a natural one. While painting is, with ceramics, arguably the least developed of Nunavut's fine arts and crafts, it also holds great promise.

As for the future of Inuit art, the public can probably expect continued exploration of work that addresses the rapid societal changes, challenges and opportunities that Inuit continue to experience, and perhaps new media that draw on both traditional Inuit skills and new technologies. At the same time, however, more traditional themes might play a part in reflecting - or perhaps even supporting - the move among many Inuit to keep young people connected to traditional themes and to the land.



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### 5. Existing Marketing Channels

Nunavut arts and crafts are for sale through several different channels to several different markets. These markets and channels are often different from community to community and may vary based on the nature of the product. For example, the sale of clothing made for local use may be entirely different than gallery-quality carvings destined for international markets.

This section outlines several of the common marketing channels on the understanding that variations exist in many circumstances:

#### Local Use

Traditional clothing and related accessories are often made for local use. This product includes clothing (e.g. parkas) for children and more traditional items using local materials such as seal skin. While there are some channels for sale of these items beyond the community of manufacture, most of these items are made and sold in the same community. To date there is no organized effort to standardize styles, sizes or quality which would probably be necessary to obtain larger volume sales outside the local community.

#### Local Sale to Tourists

Significant sales of carvings, jewelry and prints are made directly by local artists (or their friends and family) directly to tourists or business visitors. Most hotels and restaurants allow and even encourage artists or sales agents to canvass patrons and display product for sale. This market channel is useful for visitors and enables casual, unplanned shopping. The nature of the product offered varies by community. There is no good estimate of the size of this market as it is largely cash sales and transactions are not recorded. In some communities a significant number of people are employed in this channel.

#### Sale to Local Art Agent

Not every Nunavut community creates product for sale outside the community but to achieve significant sales, a community-based art agent is necessary. These agents may be a local person with an interest and the necessary knowledge, a local organization established specifically for the purchase and resale of arts and crafts, or may be a function provided by the Northern Store or the Coop store or other retail organization.

Some art agents provide materials and tools on consignment.

Some agents will purchase product directly from the artist and carry the risk of resale. Others will take product on consignment with the artist carrying some or all of the risk of resale.

Art agents need to be able to assess work offered or planned by the artist, need to understand the potential market for the work, need to be able to price the product and then have the knowledge, materials and connections to insure, pack and ship the product out of the community.

And finally a successful art agent needs to be connected to buyers outside the community to ensure that the product acquired does eventually sell in the south or internationally at or above the planned price.

In some cases product purchased by the local art agent is shipped to a warehouse in the Toronto area where gallery buyers may see and purchase the work. Both the Northern Store and the Coop retail chains offer work to galleries in this fashion.

#### **Sale at Festivals and Exhibitions**

Across Nunavut and in the south there are several regular festivals, trade shows and exhibitions that include Inuit arts and crafts for sale. Generally, a Nunavut-based art agent or organization assembles the offerings at these events and carries out the role described above for art agent. The sponsoring organization takes a significant risk and the end result (financially) often depends on weather or other circumstances at the show event.

#### **Internet Sales**

There are a number of organizations that display Inuit arts and crafts on the Internet and in some cases the web sites allow online purchase of the product offered. Some of these sites are based in Nunavut and others represent galleries in the south.

#### **Summary – Existing Marketing Channels**

There are a number of marketing channels for Inuit and/or Nunavut arts and crafts already in existence.

These channels are often different by community and by region and by the type of product. In general, each channel is small, often dependent on specific skills and people and in their present form, most of these channels cannot significantly increase their volume or the price point of the products without major change and new investment.



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### 6. Concerns and Issues

This direct marketing project will be successful if it improves any combination of the volume of the product sold, the quality and price point of the product or the product is presented to a wider audience.

In considering such growth, the following concerns and issues must be considered and addressed:

#### Marketplace Information needed by the Artist

For well recognized artists who make a limited number of items with a very high price point, these people will (as artists) make their own decisions on what to make, what tools and materials to use and how to offer the product to the marketplace.

Artists who are not as well recognized or who may be making larger quantities of lower cost items need more information about the market – what is selling, what materials/colours/designs are in demand, what does the product sell for at the retail level and how many similar units is it appropriate to make?

It is important in any improved direct marketing environment that artists get regular, timely feedback on what is in demand and how much are buyers prepared to pay for that product.

#### Provide Competition for Art Agents, Wholesalers and Galleries

The purpose of this direct marketing project and related future investment is to improve the state of the Inuit arts and crafts sector in Nunavut. While it is important that art agents, wholesalers and galleries are successful, the focus of this project will be on improving the role of the artist and the supporting roles in **Nunavut**.

Supporting the Nunavut-based portion of this sector, does not mean that required roles outside Nunavut will be neglected. But it does mean that where possible, more than one art agent, wholesaler or gallery will be encouraged. In other words, the project should encourage competition to buy, support and resell the product with the overall objective on increasing the revenue earned by the Nunavut-based portion of the sector and especially the artists.



### **Better Documentation for Sales**

At every level, this sector needs new investment. That includes new investment in processes and marketing channels but most important, investment in training for artists and the related supporting roles.

Significant federal and other funds exist especially in the form of training funds. But training investment will only be made available where the resulting work, and in this case increased sales of product, can be tracked. Increasing sales will generate increasing training investment.

To ensure ever increasing investment, it is important that the sales and the resulting income to artists be documented so that the income is known and reported at the federal level. Of course, documented transactions attract taxation and the related reporting for the artist and often the local sales agent especially when selling to tourists and visitors. But undocumented transactions do not grow the sector and do not attract new investment, training or new employment opportunities. It is important that this sector move from a casual, cash basis to a recognized economic sector that deserves new investment.

### **Higher Margins for the Artists**

Given more information available to the artist (what to make, what to charge), and given more available sales channels (including direct marketing using the Internet) the overall goal should be to increase the portion of the sales revenue that stays in the pocket of the artist.

There are obviously a number of approaches to do this including:

- Make more units of the same thing using different and more efficient processes and people (although some will argue this is no longer art);
- Make higher value units using the same materials, tools and time;
- Extend the range of items offered using innovative materials, designs and techniques;
- Cut out various levels of intermediary (more direct selling to put the artist and collector closer together).

This report urges that all the above be reviewed in a situation by situation basis. In some communities increased volume will be appropriate while in other communities the individual artists will decide what to make. Whatever the new investments or processes that are made available, all the above options should be enabled with the local communities and artists making the final decisions on what to make, how to price, etc.

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### 7. Financial Analysis of Channels

This section analyses the financial impact of using various marketing channels. As the focus of this project is on improving the role of the artist and the supporting roles **within Nunavut**, the financial benefit of each channel within and outside Nunavut is shown.

Three generic marketing channels are assessed with the objective of comparing the three. In practice, there are probably more types of marketing channels or sub channels and for any one transaction the numbers would not be exactly as shown. But the point of the analysis is to identify the approach that provides the most benefit for Nunavut and its artists.

#### Local Sale to Tourists

Assume that the item being sold is a carving in a community with regular visitors and tourists. Assume also that the carving is being sold in hotels, restaurants or offices by a member of the artist's family or a friend. Assume that bargaining is involved and that the agent keeps 20% of the resulting cash sale for the effort involved in canvassing the potential collectors.

The following financial impact is assumed:

Local Sale to Tourists	Item Amount	Benefit to Nunavut
a) Total paid to Artist	100	100
b) Portion of sale to local Agent	25	25
c) Portion of sale for shipping and admin.		
d) Portion of sale to Gallery		
e) Portion of sale to Internet e-Business		
f) GST paid by Collector		
g) PST paid by Collector (assume Ontario)		
h) Government Total (before Income tax)	0	0
i) Total paid by Collector	125	125

#### Sale to Local Art Agent

Assume that the item being sold is a carving in a community with a local art agent. The local agent purchases the item from the artist, handles packing and shipping and resells the item to a gallery in the south. The gallery in turn resells the item to a collector.

<b>Sale to Local Art agent</b>	<b>Item Amount</b>	<b>Benefit to Nunavut</b>
a) Total paid to Artist	150	150
b) Portion of sale to local Agent	150	50
c) Portion of sale for shipping and admin.	25	10
d) Portion of sale to Gallery	300	
e) Portion of sale to Internet e-Business		
f) GST paid by Collector	30	
g) PST paid by Collector (assume Ontario)	48	
h) Government Total (before Income tax)	78	
i) Total paid by Collector	678	210

### **Internet Sale using an e-Business Marketplace**

This is the approach recommended by the report in Section 9. It assumes that a complete e-Business marketplace is in operation automating all common functions and handling financial collection and distribution. This advanced use of an e-Business portal would be the final stage in a series of implementations, phase by phase.

Assume that the item being sold is a carving. The community uses the proposed e-Business Internet service, supported by a local art agent who represents the e-Business marketplace. The local agent assists the artist in registering in the e-Business portal, classifies and photographs the item as appropriate and if and when sold, supports the artist in packing and shipping the item to the collector. The e-Business portal, collects the necessary funds from the purchaser, distributes the funds to the artist, the local agent and shippers after deducting the fees for using the portal and the appropriate taxes. The portal provides the necessary reports and forms to all concerned..

<b>Sale using an e-Business Marketplace</b>	<b>Item Amount</b>	<b>Benefit to Nunavut</b>
a) Total paid to Artist	300	300
b) Portion of sale to local Agent	50	50
c) Portion of sale for shipping and admin.	25	10
d) Portion of sale to Gallery		
e) Portion of sale to Internet e-Business	100	
f) GST paid by Collector	24	

g) PST paid by Collector (assume Ontario)	38	
h) Government Total (before Income tax)	62	
i) Total paid by Collector	537	360

### Summary

Selling through a local agent and gallery is an improvement over local sales to visitors and tourists for both the artist and Nunavut as a whole. With local sales, there are at least two levels of markup after the artist, the price to the collector is high and most of the benefit of the high price goes to parties outside Nunavut including governments outside Nunavut.

Selling through a complete e-Business marketplace that has a local agent in the community to assist the artist provides lower prices (and potentially higher volumes), pays the artist a higher percentage of the final price and more to the sale price stays in Nunavut.

The use of an e-Business marketplace is not expected to replace sales by the traditional methods. Rather, the Internet provides new marketing channels. Visitors and tourists will still buy locally and local agents will purchase items for gallery resale. Using the e-Business option opens up new sales and attracts the interest of collectors who may never visit Nunavut and who may never enter a gallery.

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### 8. Sector Roles

The Arts and Crafts Sector involves many different people who play many different roles in the sector. In today's environment, the basic sector roles include: producers, pricing, documentation, sales agents/representatives, wholesalers, galleries and collectors.

#### Producers

The producers are Inuit carvers, basket makers, jewellers, fibre artists, painters, printmakers, seamstresses and tapestry artists. They are the creators of a broad range of hand-made art work, including but not limited to: carvings in stone, ivory, bone, and antler, fine art prints, drawings and paintings, woven tapestries, basketry, contemporary fashions, traditional clothing, jewellery and metal art. Unfortunately, they also have been the ones who benefit least from the value chain of Inuit Art.

#### Sales agent/representative

This is often a trusted individual empowered by the producer to act on his/her behalf, for a fee, when dealing with potential buyers (wholesaler, gallery, or collector). In the simplest case, the sales agent may be a close relative or friend who sells directly to the collector.

#### Wholesalers

Wholesalers buy directly from the producer and sell to galleries, museums, and/or collectors (normally with at least a 100% mark-up in price). The advantage for the producer is that the wholesaler basically pays cash upon delivery and the producer doesn't have to be involved with the logistics of packaging or shipping and handling. The wholesaler covers these costs and recoups them through its mark up.

The wholesaler may or may not have a gallery. If so, there would be an additional mark-up in price (roughly equivalent to the gallery mark-up) before the art work is sold to the final customer – the collector.

#### Galleries

Galleries provide the sparkle in the sales cycle by promoting

Inuit Art in their local area. They deal directly with the collector and strive to present the art work in its best, most marketable light by providing the collector with background information about the artist, the art work itself and its authenticity (Igloo Tag), as well as market trends that may indicate that the piece may appreciate in value over time.

Generally speaking, galleries buy from wholesalers and mark up their costs by at least 100% in order to establish the retail price to collectors. The more sparkle ... the larger the mark up.

### **Collectors**

This role really includes a broad spectrum of 'final customers'. Collectors can be:

- private individuals buying a single piece either for themselves, or as a gift;
- private individuals buying to add to their personal collection;
- corporations buying as an addition to a corporate collection (museums would fall within this group); and
- corporations buying one or more pieces as awards for their employees or as gifts for their clients.

### **Moving Forward**

Sector roles should be considered both from the vantage of what exists today (as-is) and the marketplace that should exist (to-be) in order to address the seven goals that have been identified within *Sanaugait*. This will help reveal what has to be done in order to address *Sanaugait's* goals.

If we look forward to the 'to-be' marketplace, the assumption is that direct marketing will use technology and the Internet.

There are several roles that are normally hidden within the roles described above but which should be viewed as unique functions that have to be considered as roles are re-aligned to improve the marketplace effectiveness and efficiency. These include pricing, documentation, and materials management,

### **Pricing**

The Internet-based marketplace will enable the producer to sell art work directly to a wide range of buyers including collectors, galleries, and wholesalers. Therefore, there will probably be a variety of pricing structures to accommodate this range.

Appraisers/graders, in conjunction with the producer, will establish the initial (estimated) value of the art work according to a set of standard guidelines (to be determined). It is also important at this stage to establish guidelines for a 'minimum' level of quality for items to be sold through the 'to-be' marketplace.

This should help to improve the overall quality of Inuit Art available to collectors. The marketplace is being set up to

handle quality pieces not souvenirs.

### **Documentation**

This is an important role that contributes significantly to establishing the value and reputation of Inuit Art by establishing a record of authenticity. Functions performed within this role include:

- Establish an initial description of the piece of art;
- Take a digital image (photo or film clip);
- Document who created the piece, where, when, from what materials, dimensions, title (if any), as well as the artist's name;
- Update the artist's biography;
- Obtain written approval from the artist to use this information within the 'to-be' marketplace.

This may also include the initial step towards establishing copyright protection for the producer of the art work (see CARFAC).

### **Materials Management**

Normally, the producer doesn't have to be concerned with this role unless the art work is being sold directly to the collector. Someone has to take care of the logistics involved with packaging, shipping and handling. These charges may or may not be chargeable to the collector.

### **Additional Roles**

There are other several roles that should be considered as the Inuit artist moves into the world of e-commerce. They are:

### **Payment Services**

A new approach to a 'banking facility' will be required. This will provide capabilities related to processing of all marketplace related financial transactions including receipt of payment from collectors and issuing payments to producers. It should also include the ability to process credit cards payments (from buyers) as well as debit card transactions (to artists). This issue of payment services is complicated by the fact that most Nunavut communities do not have banks.

### **Administration Services**

These include a variety of financial and administrative functions as well as insurance, taxes, and reporting.

### **NACA**

NACA is the sponsoring organization that has provided the drive and vision to start this project and keep it moving forward. NACA will be an active participant and advisor representing its membership base as this project moves through a variety of stages which may include Proof of



Concept, Initial Pilot, Functional Pilot, and Live Marketplace.

### **NBDC**

NBDC will provide advice and contacts related to broadband access, technology infrastructure, and management of the technology portion of this activity.

### **The Marketplace**

Last, but not least, is the marketplace itself.

In the Internet world, we sometimes think that all we have to do is sit down and design a web site tie into some nifty e-commerce tools and magically we have an e-business that will make us rich beyond our wildest dreams.

Few Inuit artists and craftspeople have the skills needed to take advantage of new marketing opportunities offered by the Internet. These include budgeting for materials and supplies, digital photography, use of e-mail and web pages for marketing, negotiating prices with galleries, working with commission/consignment sales, handling credit card transactions, packing and shipping. Of course this is expected – most economic sectors take some time to evolve to effective use of this new technology.

Simply put, a marketplace is the environment in which products and services are provided and consumed. In the Internet world, marketplaces thrive by connecting buyers and sellers from disparate locations.

The marketplace that we envision will provide the glue that will tie together all of the roles that we have previously described into a community of buyers and seller where Inuit artists and craftsmen can fully participate in the added value chain and receive the true value of their artwork.

The marketplace is not just a technology solution. It must address the issues related to the Inuit Art world and provide a mechanism to the artist as to potential buying patterns based upon sales as well as what the collector is looking for. It must attract buyers and endeavour to ensure that their exposure to the marketplace is satisfactory so that they will return.

Most importantly, it must include the marketing savvy that only comes from years of successful experience with Internet based marketplaces.

### **Summary**

This is not intended to be an exhaustive or definitive treatment of all the roles associated with the Inuit Art Sector in an Internet based marketplace. It is however, a good starting point for further discussion and for more detailed plans and actions as we move forward.



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### 9. Recommended Approach

Many small business owners, who have managed to establish their own websites, have discovered that success is driven by:

- The quality and freshness of the website content
- The ability of the website to quickly respond to visitors
- The look and feel of the web pages
- The ease by which potential visitors can find the site

The ease by which the visitor is able to navigate through the various web pages to find the information that he/she is looking for

- The ability of the website to attract 'qualified' visitors and keep them interested long enough for the site to provide them with the information that they seek
- The ability of the website to make the visitors want to return to the site.

The challenge gets even more complex when you add the concept of e-commerce into the mix. It is one thing to use a web site to look at what you might want to buy. It is significantly more complex to actually purchase an item on a web site. Only in the last 10 years have these capabilities been available to anyone.

Right now, few Inuit artists and craftspeople have the skills needed to take advantage of new marketing opportunities offered by the Internet. These skills include budgeting for materials and supplies, digital photography, use of e-mail and web pages for marketing, negotiating prices with galleries, working with commission/consignment sales, handling credit card transactions, packing and shipping.

Most of these issues can be solved, individually, by having the website professionally developed and maintained.

And, although professional website designers can arrange that your site will be found by a variety of search engines such as Google or Yahoo, many web designers aren't necessarily

specialists in Internet marketing techniques and don't normally have years of experience attracting the 'right' visitor to the 'right' sites so that the visitors can find the 'right' information.

The challenge is to transform a visitor into a prospective buyer and then into a satisfied customer. That requires very specialized and focused marketing know how.

It also raises the issue of the difference between a website (even an e-business website) and a *marketplace*.

Think of it in terms of a single carver working in his backyard. Many people may pass him during the course of a week. Some may notice that he is carving. Someone might even stop and ask him about his carving. Someone may even ask to buy it. At last, the buyer and seller have met!

Now think about a carver who brings his carvings to an Arts Festival and Sale. Many of the people who attend the sale are potential customers who are looking to buy quality carvings. They are attracted to the Arts Festival and Sale because they believe that they will have lots of opportunities to buy something that meets their particular requirements. They have come to a marketplace. The carver will have many opportunities to sell his carvings. The seller has found many potential buyers!

Simply put, a marketplace is an environment in which products and services are provided and consumed. In the Internet world, marketplaces thrive by connecting buyers and sellers from disparate locations.

We also considered the 'ebay' type of solution. Certainly, it brings buyers and sellers together, but it provides very little opportunity for sellers to distinguish themselves from the other thousands (or should I say, millions) of sellers on ebay. In fact, buyers would appear to be driven by the urge to pay the lowest possible price rather than by the quest for quality. The artist is likely to discover that not much more than he might obtain by selling his art as souvenirs to tourists.

The marketplace that we envision is basically an e-business portal which will glue all of the pieces together and tie all of the roles that we have previously described into a community of buyers and seller where Inuit artists and craftsmen can fully participate in the added value chain and receive the true value of their artwork.

This marketplace cannot be just a technology solution.

It must address also the issues related to the Inuit art world and provide a feedback mechanism to the artist as to potential buying patterns based upon sales as well as what the collector is looking for. It must attract buyers and endeavour to ensure that their exposure to the marketplace is satisfactory so that they will return.

Most importantly, it must include the marketing savvy that only

comes from years of successful experience with internet based marketplaces.

### **Progress to date**

We have found one organization (Mediagrif Interactive Technologies Inc.) with the unique combination of technological skills and e-business marketing experience to provide marketplaces that work. In fact, they are currently running 16 successful marketplaces which address a variety of e-business markets..

Mediagrif is a world-leading operator of e-business networks and provider of complete e-business solutions. Mediagrif's e-business networks allow buyers and sellers within specific industries to source, purchase or sell products and to exchange information more efficiently using the Internet.

We met with the senior management of Mediagrif in March and discussed opportunities through which we might explore one of their portals as a test to determine its suitability to the needs of NACA. We agreed that 'Polygon' could be used as a representative marketplace.

Polygon provides an Internet-based B2B service to retailers, wholesalers and manufacturers of the diamond and jewelry industry who want to buy and sell products such as diamonds, watches, colored stones and finished jewelry.

NACA Executive Director Beth Beattie has taken a subscription to Polygon and will give it a trial run, with assistance from Mediagrif.

### **Next steps**

The exploration of the Polygon marketplace will provide the following:

- Help identify how buyers may search the world wide web for Inuit art
- What are the characteristics of these buyers
- What are they looking for
- What interests them
- How can they be enticed to return

Once we start to understand that, we can then consider moving on that stage where we develop a 'Proof of Concept' to validate what we think we have learned and to evaluate the potential success of our approach to date. It is recommended that we use some of the items from the NACA gallery as a basic sales inventory.

Next, we will consider working with Mediagrif to establish a basic 'Pilot Project' which will be used to identify, develop, and implement the functionality needed for an Inuit Arts and Crafts marketplace. At this point, we may want to bring in the work of other artists and potentially a second gallery (possibly the UqqurmiutCentre for Arts & Crafts in Pangnirtung).

Assuming that the pilot is successful, it would be refined and polished to a professional level. The challenge then becomes developing a plan to bring a wide variety of other artists on board and launching the marketplace. It will not be an instant over night success! It also takes considerable time and effort to build up the buyer community. This is where we rely upon the marketing savvy of Mediagrif to work with us to make it happen.

### **General Timelines**

The exploration of the Polygon marketplace is happening now!

The 'Proof of Concept' could be in place by the fall of 2008.

The 'Pilot' could be up and running by this time next year (2009).

We could have a fully functional successful Inuit Art Marketplace before the 2010 Olympics.

Obviously, many, many things have to happen if this challenging and tentative timeline is to be met. But, it is possible!

### **Other Project Plans**

While that is happening, several other 'project plans' should be put in place that will in combination grow the entire Inuit Arts and Crafts Sector using the e-business as a catalyst.

The project plans include:

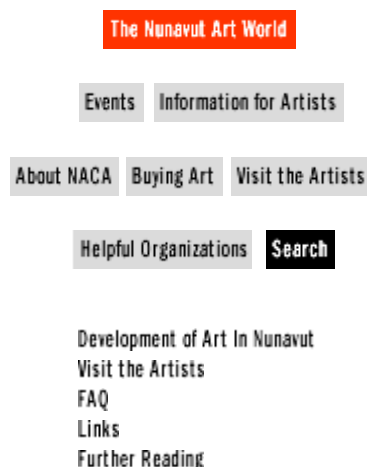
- The need to establish and maintain an effective biographical library of Inuit artists. This will be a fundamental requirement if we hope to increase the 'value' of Inuit art since buyers associate authenticity with quality and they are buying art not souvenirs.
- The need to develop a skill set in each community so that the functions required to document the art work (e.g., digital photography and record keeping) can be provided by someone in the local community.
- The need to establish a catalogue of the art work presently available at the NACA and to ensure that the pieces that are chosen for use in the pilot phase have the necessary documentation to ensure authenticity.

- The need to establish the administrative functions necessary to track activity through the marketplace
- The need to develop a communications plan to inform the artists and craftsmen, as well as other stakeholders such as government, other Inuit organizations, wholesalers, retailers and galleries, as to NACA's intention to pursue this direction in order to implement Sanaugait. The communications plan also should include a collaborative mechanism to develop consensus.
- The need to provide an effective 'banking facility' that will operate throughout Nunavut and reach artists in every community. This will obviously be necessary to provide the payment services essential to any business environment.
- The need to establish basic guidelines related to 'quality', 'value', 'pricing' of art work.
- A project to explore the issues related to 'consignment sales'
- A project to explore the potential to expand the opportunity for 'commission' sales opportunity, particularly for items such as tapestries, on a world wide basis.
- The need to consolidate and validate our current list of potential buyers (e.g., galleries, museums, collectors, corporations, government agencies).

Obviously, this list of projects is not complete but it provides the necessary starting point for further discussions.

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### 10. Marketing Plan

The overall recommended Marketing Plan includes several parallel tracks of activity with sub-projects and sub-plans within each track. In general, activities must move forward in most of the tracks in parallel for most effective use of resources and to achieve overall positive results for this sector.

The parallel tracks are as follows:

#### a) Initiate Internet-based B2B Marketplace Pilot

This sub-plan involves the use of a subscription to the Polygon B2B marketplace. This marketplace is focused on jewelry and the NACA gallery in Iqaluit has some jewelry for sale. It is proposed that this subscription be used to direct market Nunavut jewelry as a test of the use of a Internet-based B2B marketplace.

The use of jewelry as a first step is recommended since Nunavut artists already create jewelry, the B2B marketplace already exists and can be used for less than \$1,000 per year and jewelry lends itself to classification and presentation on a web site. In addition there are a manageable number of artists for a pilot.

Issue, problems and opportunities for Nunavut in the broader arts and crafts sector can be tested and progress can be assessed using this marketplace, first as a pilot and eventually moving to a commercial service if appropriate at very little cost and minimal risk.

#### b) Gather/Update Artist Data

A project is proposed to determine what administrative and biographical information is needed in the longer term for each artist and then the necessary data will be gathered and made available online.

The first step for this project is an update for the existing artist information on the NACA web site (see <http://www.nunavut-broadband.com/NACA/www.nacaarts.org/visitArtist.html>). The gathering of the information that will eventually be needed for a B2B marketplace can be done over time with the material collected in the existing (or an extended version) NACA web site until a final B2B implementation is appropriate.

This project should be initiated in the summer of 2008.

**c) Gather/Update Gallery Data**

A project is proposed to update and collect the data on galleries, retails and wholesalers that handle Nunavut art and crafts. The existing web site (<http://www.nunavut-broadband.com/NACA/www.nacaarts.org/galleries.html>) is a good start and like the artists data, the NACA web site should be extended until a final B2B implementation is appropriate.

This project should be initiated in the summer of 2008.

**d) Gather/Update Roles and Availability of other Involved Parties**

There are a number of roles that are necessary for the complete functioning of the Arts and Crafts marketplace.

Some of these are covered in the NACA web site at <http://www.nunavut-broadband.com/NACA/www.nacaarts.org/helpfulOrg.html>.

Others include people and organizations that know how to pack and ship arts and crafts, people or organizations that supply materials and tools and a set of roles that cover finance, administrative, tax and insurance aspects of this sector.

In preparation for a B2B marketplace, this sub-plan should document all these roles, introduce new sections (if necessary) in the NACA web site and make the efforts necessary to collect the necessary information for an eventual B2B marketplace.

This project should be carried out in the fiscal year ending in 2009.

**e) Develop Classification System**

To effectively use direct marketing channels and in particular to use an Internet-based B2B marketplace, Nunavut arts and crafts must be classified in some fashion that artists, others engaged in the production and consumers all understand.

As an example, in the pilot jewelry marketplace, jewelry is classified by the components (e.g. diamonds, and then by clarity, size, cut, etc.) and also by the finished object (e.g. rings and then by diamond, etc.). A potential buyer can search starting at any point and can quickly find an item of interest.

Based on a search the potential buyer can quickly locate appropriate product in a target price range. A similar classification system must be created and introduced in other sectors of the marketplace for any product that will be marketed through a B2B marketplace.

**f) Develop and Initiate Communication Plan for All Parties**



There are many different parties in various roles that must be introduced to the overall plan and encouraged to play their part over the next few years.

A communication plan is needed to coordinate the timing, the contents and the messages that will be needed in this sector for the next few years.

**g) Develop and Initiate a Funding and Project Management Plan**

Finally, an overall financial and project management plan must be prepared to guide all the interrelated steps in this sector over the next few years and to ensure that appropriate funding efforts are underway to support the required activities.

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### 11. Proposed Direct Marketing Budget

The following is the proposed Direct marketing Budget for the fiscal year 2008-2009. The sub-sections within the budget reflect the project tracks identified in the previous section.

Direct Marketing Budget	Amount (2008-9)
a) Internet-based B2B Marketplace Pilot:	
Polygon Subscription 1 year	1,000
b) Gather/Update Artist Data	10,000
c) Gather/Update Gallery Data	10,000
d) Gather/Update Other Roles	10,000
e) Develop Classification System	17,500
f) Develop Communication Plan	3,000
g) Develop Funding & PM Plan	5,000
h) Travel (3 trips Montreal/Ottawa-Iqaluit)	7,500
Total All Project Tracks	64,000

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