

A Pottery Incubator

by Morgan Baum

This morning's conversation went a little like this: [me] "You're going to want to build up your bisque stock, so when orders come in online, you can glaze them and fill the order faster." [emerging artist] "I hadn't thought about that."

Another recent discussion: [me] "Remember that you should reserve 15% of your income to pay self-employment tax. But in order to know your income, we need to track all your expenses, so here's a spreadsheet template to help you keep track of everything."

These are the conversations we have daily at the Clay Coyote in Hutchinson, Minnesota. We're a pottery incubator. We set out to create a space for emerging artists to launch their small businesses. The space includes three potter's nooks, shared wedging and slab areas, a glazing station, three electric kilns, one gas kiln, and dry

storage. The rent includes unlimited access to materials, tools, and all utilities. Clay Coyote is one of a few incubators in the country that focuses on entrepreneurship, business-plan development, pricing, marketing, and securing financing. Our goal is to help emerging artists launch their own businesses within three to five years.

Wouldn't it be great if every BFA and MFA came with a minor in marketing or business management? While there are some academic institutions offering art entrepreneur courses, it is still rare. Where can potters turn when looking for support?

Do You Know What it Takes?

Starting a small business is hard. Do you know what the 4 Ps of marketing are? What about ROI? Have you written a business plan?





2



3



4

1 Clay Coyote Incubator studio potter's nook. 2 Royce Yoder's squared-off bowls, wheel-thrown and altered stoneware, fake-ash glaze, fired in reduction to cone 10. 3 Katie Teesdale (left) and Morgan Baum reviewing a balance sheet and discussing expense management. 4 Katie Teesdale working on a pinch pot in her individual studio space.

What about a three-year cash-flow analysis? Do you have general liability insurance? Photography skills? A sales plan with multiple revenue channels? It's important to have all of these. According to the Small Business Association, each year more than 400,000 new small businesses are started in the US, and another 400,000 go out of business.

Professional potters know how hard it is to set up a businesses. Royce Yoder, a prolific potter who opened his studio in 1983 in Lederach, Pennsylvania, when asked about advice for starting out said, "When I left college I thought I knew a lot about making pots. I soon realized I didn't know much about running a studio, much less running a business. A business plan, cash flow, organizational skills, and deadlines were pretty far down the list. A transitional studio space between college and your own studio is an invaluable tool to help young potters succeed on their own."

Bob Briscoe, who has been a successful professional potter for more than 40 years, says, "There is a lack of knowledge around the start-up phase of a

Defining the Terms

ROI (Return on Investment): The amount of money made in comparison to the amount of money and time invested. It is used to compare profitability or efficiency of investments and is calculated as a percentage: $(\text{net profit} \div \text{cost of investment}) \times 100$.

The 4 Ps of Marketing (Price, Product, Promotion, Placement): In order to succeed as a business, it's important to figure out your pricing structure, exactly what you are going to produce to sell, how to effectively promote it, and where it will best be placed in order to be seen and sold.

Cash Flow Analysis: Listing the flows of cash into and out of a business or project, so you can gauge what the balance of cash to debt will be at the end of a given period, what the working capital is, and whether your profit/loss projections are accurate.

Working Capital: The amount of money needed to fund everyday business operations and costs. It is calculated in the following way: $(\text{current assets} - \text{current liabilities}) = \text{working capital}$.

CSG (Cost of Goods Sold): The expenses that you have to incur to make your artwork. Knowing this helps you to calculate what to charge for your work.

Sales Plan: A strategy that identifies sales targets and tactics for selling work, as well as the steps you plan to take to meet your sales goals. It is part of or works with a marketing plan, and is updated every 6 to 12 months.

potter's choosing to go into this life. Finding a place to acquire the information needed to create their living is quite thin and rare.”

Role of Business Incubators

Business incubators have been around since the 1950s. *Entrepreneur* magazine defines an incubator as, “An organization designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections.”

Colleen Riley of Eureka Pottery and founder of the Minnesota Women Ceramic Artists has mentored and taught many talented artists who are just starting out. When talking about her experience, she says, “I’ve seen many young potters struggle because they’ve entered the market without business skills or marketing savvy. They also don’t realize how much investment in materials and space it truly takes to run a clay business. . . . A potter needs a support system to acquire these important peripheral skills . . . while they refine their techniques and find their voice.”

The difference between a traditional ceramics residency and an incubator is the focus on the business acumen. Katie Teesdale is one of the emerging artists at Clay Coyote. Her goal is to start her own pottery studio in three years. Katie says, “I was trying to find a place that would allow me launch my own line of pottery and learn

business skills to start my own studio. I realized that the Clay Coyote Emerging Artist Incubator program has everything I need: a shared space to offset the high cost of starting up, a built-in customer base to support my growth as I developed my pottery, and the small-business mentoring that’s missing from fine arts academic programs.”

The Perennial Question About Pricing

One example of our business mentoring is around pricing. Figuring out how to set prices is one of the most daunting challenges for emerging artists. The average price of your pots can mean the difference in having to make and sell an additional 1200 pots a year (see sidebar below).

There are many pricing strategies and it is recommended that you evaluate a few to see which one is the best fit. One area where you should spend extra time is on understanding the cost of goods sold (CGS). You want to know this at the beginning of your small business journey. It’s way easier to keep track from the onset rather than having to go back and create the documentation at tax time.

Simply put, cost of goods sold are the expenses that you have to incur to make your pots. Knowing your CGS helps you to determine the amount of money it takes to make one of your products. You need to be able to figure out the cost of your raw materials, the energy it takes to fire them, and you can also include indirect costs like freight and shipping for distribution.



How Many Pots Do I Need to Sell?

This is a key question that’s based on another question: What will it take to break even? Below is a rough formula that is discussed at length in Dr. E.L. Kittredge’s *Artrepreneurship: Sustaining the Creative Life*.

$$\frac{(\text{studio costs} + \text{personal expenses})}{(\text{average item price} - \text{average materials cost})} = \text{approx. number of pieces need to sell}$$

To provide an example, at the Clay Coyote incubator, rent is \$9600 per year (it includes all materials and utilities) and we’ve calculated estimated living expenses at \$17,000 per year.

For Potter A the average priced pot is \$16, average cost of materials to produce the pot is \$3. According to the formula, Potter A has to sell 2046 pots.

For Potter B the average priced pot is \$25, average cost of materials to produce the pot is \$4. According to the formula, Potter B has to sell 1267 pots.

For Potter C the average priced pot is \$39, average cost of materials to produce the pot is \$5. According to the formula, Potter C has to sell 782 pots.



6

5 Emerging artist Levi Yankosky's work on display in Clay Coyote's gallery. 6 Colleen Riley's bowl with lobed rim, light-colored stoneware, layered slip, glazes, soda fired. 7 Bob Briscoe's large caddy jar, 9 in. (23 cm) in height, wheel-thrown stoneware, multiple glazes. Photo: Schaller Gallery (www.schallergallery.com).



7

Calculating CGS is a good way to evaluate studios as well. Buying clay and chemicals in bulk saves money, so if there are opportunities to share bulk purchased materials, that can help keep your expenses down.

When it comes to pricing, take a look at the pricing worksheet that is set out in Chapter 8 of the book *Artrepreneurship: Sustaining the Creative Life* by Dr. E.L. Kittredge. The recommendation is that you set your pricing by determining your base wholesale price first and then doubling it rather than determining your retail price and dividing by two. The steps are as follows:

1. Choose one of your products.
2. Determine your hourly rate and multiply by the time it takes to make the mug (e.g. wedging, throwing, trimming, sanding, glazing, loading).
3. Identify the total cost of materials.
4. Identify the cost of distribution (e.g. getting the pots to shows or galleries).
5. Add in your overhead costs (e.g. rent, utilities).
6. Factor in a reasonable profit.
7. Remember that wholesale pricing is based on three things: labor and materials, overhead costs, and profit.
8. To determine the final wholesale price, add together the dollar amounts calculated for all three.

Is an Incubator Right for You?

As you are deciding on the right next step in your personal journey, ask a few questions to help determine what you need.

1. Where do I need the most support right now? Is it in the creative process? Technical development? Am I looking for business guidance?

2. What are my personal career goals? Do I want to be a ceramics professor? Do I want to run my own studio? Am I looking at wholesaling? Am I setting up my own brick-and-mortar gallery or store? Am I interested in online retail channels?
3. Do I have the skills needed to run a small business? Am I good at organizing? Am I decisive? Do I have good time-management skills? Am I willing to put in the time, as much as 100 hours a week?

the author *Morgan Baum is owner and CEO of Clay Coyote Gallery and Pottery outside of Hutchinson, Minnesota. To learn more about the gallery or arts incubator program, visit www.claycoyote.com.*

Where to Turn

There are some very good free resources for artists looking to start their own businesses:

- Artivate: A Journal of Art Entrepreneurship <http://artivate.hida.asu.edu>
- Daniel Grant, Art Journalist, regularly posts helpful information www.huffingtonpost.com/author/danhg1-216
- Fractured Atlas www.fracturedatlas.org
- Pave Program in Arts Entrepreneurship at Arizona State University <https://entrepreneur.herbergerinstitute.asu.edu/pave-arts-entrepreneurship>
- Springboard for the Arts <http://springboardforthearts.org>