

Chapter 4.15

Fotogenika.com: A Small Virtual Organization Serving the Mexican Market

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EXECUTIVE SUMMARY

Fotogenika is a small e-business that was born out of the idea of two young Mexican entrepreneurs. It started its operations in March 2004, and after a few months, it managed to successfully create a small customer base. Fotogenika.com is the commercial name of a company established in New York City that delivers digital pictures in Mexico. The company serves Mexicans living out of their country who want to keep in touch with their families in Mexico. Owned by Mexicans living in the U.S., Fotogenika understands the strong ties among Mexican families and their need to keep in touch with their family. Fotogenika shows how culture is important to serve customers in America and how to focus on a profitable market niche. Also, this case presents the technology and marketing challenges that small startup e-businesses face, as well. Finally, Fotogenika's business proposition demonstrates the advantages of displacing a product digitally to where it will be produced and delivered at a low cost.

ORGANIZATION BACKGROUND

Gabriela Perezcano, co-founder of Fotogenika.com, was quite satisfied with what her company had accomplished. In June 2004, just a few months after starting operations, Fotogenika had successfully created a small customer base. A virtual organization, where most of its processes were outsourced, Fotogenika printed and delivered digital pictures in Mexico from orders based in the U.S. After proving that Fotogenika's business proposition was successful, Perezcano was ready to expand her business.

Perezcano was born in Mexico City and migrated to the U.S. because her husband had a job there. Having a strong business background and an entrepreneur mentality, she detected a profitable business niche. As a Mexican living in a foreign country, she understood the need to keep in touch with her family. Family ties are strong among Mexicans. Mexicans living in the U.S. are concerned about the welfare of their families in Mexico. This concern leads Mexicans to continu-

ously send money to their families. In fact, in 2003 Mexicans in the U.S. sent \$13,266 million to their homes (*Ingresos por Remesas Familiares*, 2004). That same year, the money Mexico obtained from their citizens living in the U.S. was second only to the money Mexico obtained from oil (*Ingresos por Remesas Familiares*, 2004).

People keep in touch with their loved ones by different means. Phone calls, e-mails, and other communication media are commonly used. However, people like to share their experiences through pictures, as well. At present, two photography technologies exist: analogue and digital. The capability of storing digital pictures in electronic devices has not diminished people's need to have their pictures printed. In fact, important dealers in the photography industry, like Kodak, have increased their investment in printing digital photography (Barret & Carr, 2004).

Aware of the growing number of Mexicans living in the U.S. with increasingly higher income levels, Perezcano decided to deal with that market (See Appendix 1 for statistics on Mexicans living in the U.S.). Customers in the U.S. would place their orders, and the company would print and deliver their digital pictures to Mexico. Fotogenika's service was simple and straightforward. Customers uploaded their pictures to their personal album on Fotogenika's Web page. They ordered the pictures that were later printed and delivered to Mexico.

In order to provide a value-added service for customers with slow Internet connections, customers were able to burn their pictures onto a CD and send it to Fotogenika's office by mail. Fotogenika would upload the pictures at no cost and return the CD to the customers. Also, customers without digital pictures could send the pictures to Fotogenika. Fotogenika would scan and upload the pictures for a fee. Then, Fotogenika would return the pictures to the customers.

With the clear concept of concentrating on core activities in mind, Perezcano decided to establish

Fotogenika as a virtual organization, outsourcing most of its business processes. The term *virtual organization* has been used to define different concepts, all of them involving the distribution of work across geographical or organizational boundaries (Ariss, Nykodym, & Cole-Laramore, 2002; DeSanctis, Staudenmayer, & Wong, 1999). First, an organization is considered virtual when it employs telecommuters (Ariss et al., 2002; DeSanctis et al., 1999; Markus, Manville, & Agres, 2000). Second, an organization is considered virtual when it involves several companies to perform a task (Lawton & Michaels, 2001). Third, an organization is considered virtual when most of its processes are outsourced, keeping in-house only the core activities (Ariss et al., 2002; Lawton & Michaels, 2001). The latter definition applies to Fotogenika.

However, the term *virtual organization* is better understood as a continuum in a range of different types of relationships rather than a pure organizational form (DeSanctis et al., 1999). DeSanctis et al. (1999) identify four dimensions that define different types of relationships: space, time, culture, and boundaries. Virtual organization companies, compared to traditional companies, are more likely to establish distributed, asynchronous, multicultural, and external relationships. As a continuum, companies can have different degrees of virtuality.

Fotogenika heavily relied on the pure virtual organization spectrum. In the space dimension, traditional organizations are colocated, whereas virtual organizations are distributed (DeSanctis et al., 1999). Fotogenika's office was located in the U.S., whereas production facilities were located in Mexico.

In the time dimension, traditional organizations operate synchronously as opposed to virtual organizations that operate asynchronously (DeSanctis et al., 1999). Fotogenika's portal processed customer orders in 24 hours. As soon as an order was placed, it was sent to the Mexican lab for

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