

**Sergio Bustamante Galleries,
It's an art!**
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In April, 2007, Sergio Bustamante was thinking about the designing of an expansion and growing strategy for his Art Galleries based in Tlaquepaque, Jalisco, Mexico, but known in several countries. Sergio Bustamante's Art Galleries had had a sustainable growth since their foundation in 1975, in terms of sales volume, materials used, number of own galleries and distributors. Nevertheless, Bustamante knew there was still a lot to do to expand and positioning his company worldwide and he needed to make a decision related to the planning of his growth, since he expected to have at least two new stores opened by midyear.

The artist

Sergio Bustamante was born at the end of the fifties in the North of Mexico, in the State of Sinaloa. When he was 9 years old he moved to Guadalajara, Jalisco, the largest city in western Mexico. Since childhood, Sergio showed his interest in drawing, which later influenced his decision of becoming architect.

Bustamante considered that his work had developed due to his own experimentation, his own work and to his observation of the surroundings. He had travelled and lived abroad, he met other artists and made incursions into painting; however, as he himself mentioned, literature was his most important influence. Animals, characters' transformations, and fantasies turned into reality through art, were his main inspiration source. His own maturity made his work changed and his mood affected it, as the creators' digital fingerprints.

The Architect didn't consider him an artist, a craftsman or an entrepreneur, but the combination of all of them to conceive and spread his creative work; nevertheless, he considered his art as unique, since through the years he had achieved originality. Bustamante was in charge of designing generation, new stores searching and decoration, advertising ideas generation, and the growing of his art galleries; he was concerned about being better worker and artist, being authentic and going farther and farther.

This case was written by Professor Xiomara Vázquez Guillén with the objective to serve as a material in class discussion, it does not intend in any way to illustrate good or bad administrative practices.

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The company

Sergio Bustamante's Galleries (GSB according to its initials in Spanish) started operations in 1975 in Tlaquepaque, Jalisco, a traditional Mexican town adjacent to Guadalajara, known by its handcraft. The company started in a workshop where three employees worked, devoted to the production of brass, clay and glass pieces. In the words of Mr. Bustamante, the Gallery started from a reinvention of the business, taking as a basis, a company previously owned by him and a partner, in Tonalá, Jalisco; in which Bustamante realized that there was a potential market for art pieces and wanted to give continuity to the previous project.

Throughout thirty years, the gallery and the operations had been growing. In the middle of 2007 the company employed more than 150 employees and had several workshops (see **Attachment 1**) where: jewelry, resin, papier mâché, ceramic, handbags, footwear, bronze and carpentry pieces were made (see **Attachment 2**).

Additionally, the company had already nine own galleries located in tourist attraction places: Tlaquepaque, Los Cabos, Cancun, Mexico City, Puerto Vallarta and Monterrey (see **Attachment 3**); whose function was to sell and exhibit Sergio Bustamante's work. The galleries were taken care of by Mr. Bustamante's employees therefore, there was a high degree of operations control in terms of product supplied, sales and customers.

In addition to the own galleries, there were 15 domestic and foreign distributors: seven located in Mexico, three in the United States, two in Europe and one in the Middle East (see **Attachment 4**). The distributors were people or galleries in charge of selling the work of different creators, and they were the link to place Mr. Bustamante's pieces in domestic and foreign destinations, where his art was well known and asked for, and where he had no own galleries.

In addition to the cities where currently there was a distribution, GSB had had presence in other cities in the world. For example in Tokyo, where the work had been awarded, the company had operated through a distributor; however, Bustamante decided to move away from this city due to the difficulty of being able to manage the operations due to the distance, the high cost of transportation and the resulting works' price increase.

Another experience was, when a distributor located in Las Vegas, United States, who generated the highest sales volume for the Gallery, closed because the owner of the store, where Mr. Bustamante and other artists exhibited their pieces, decided not to continue renting the spaces.

The expansion plans for 2007 included the opening of a gallery in Las Vegas and another one in Madrid, Spain. The one located in Las Vegas would be the first own gallery abroad, since theretofore operations were only made through distributors. On the other hand, negotiations with two hotel emporiums: Cesar Palace and Win, had started at the beginning of 2007.

Madrid, in turn, had been selected because of Bustamante's cultural and personal similarities and because he considered Madrid as a society with a highly developed taste for art. Besides, because some of his customers were located in Spain and it would be much easier to take care of them from their own country. In 2007 negotiations had already started to locate the Gallery in the art zone of the Spanish capital.

The operations

Bustamante was the creator of all the designs; on average he created three to four designs per day. The sketches were delivered to the corresponding workshop and the employees would proceed to make the mold from which they would generate the pieces and if everything was according to Mr. Bustamante's expectations then they would proceed to production; on the other hand, if there were corrections to make in proportions, forms, colors, etc., mold would be made again until Mr. Bustamante was satisfied and authorized the production. Every workshop had the same working system, either by means of orders stemming from the galleries or because of the production at the beginning of the season. (See **Attachment 5**)

In 2007, the workshops were producing at full capacity, keeping the highest quality level in the pieces. Besides, it was important that the employees would work in calm and in a warm and pleasant atmosphere. Bustamante said that the only requirement to work in his workshops was to be hard-working, and he himself led by example.

A part of the company's profits was reinvested to support the growing plans; the remaining was divided among the owner and the workers, because Bustamante's philosophy was to share.

The advertising of the Galleries was mainly based on the exhibitions Mr. Bustamante made throughout the world; on his customers' references, who were usually art experts; on art critics; and advertising on specialized magazines. (See **Attachment 6**)

Bustamante considered he had no direct competition since his creations didn't look like any other designer's art. Nevertheless, there was no guarantee that other producers wouldn't carry out unethical practices such as copying his designs, stealing his molds or bribing his workers so that they would reveal the production methods. Bustamante had been copied for twenty years, and deep down he considered the copies as a compliment since they wanted to look like the best ones.

The products

Production was considered a limited edition of art pieces, therefore, Mr. Bustamante decided to produce between 50 and 100 small pieces and between 10 and 20 big pieces; after that, the mold would be broken, because the quality of the product, its market status, and the designs exclusivity, were taken care of.

Articles 89 and 91 of the Federal Law on Authors' Rights of the Mexican Institute of Industrial Property (IMPI according to its initials in Spanish) protected the production of limited edition and numbered pieces by defining them as those resulting from the production of several copies from a mold made by the author. (See **Attachment 7**)

Although the company was in the art circle, it had to face piracy¹ since there were producers devoted to copying the same design or making minor changes and duplicating it using lower quality materials.

¹ **Piracy** is a popular term used to refer to the copy made without the permission of the holder of the [author's rights](#) or without [legal](#) authorization.

In regard to inventories, the company took control of all the pieces that were produced and had no overdue inventories, since pieces were produced upon request and were usually delivered 45 days after the order was received. The jewelry line had no overdue product since the production was according to the season and any pieces left behind were melted again.

Prices of Bustamante's work ranged between 200 and 5,000 US dollars according to the designed piece, materials, size, and in addition to this, transportation costs. The administration department took control of the sold pieces according to each product type. (See **Attachment 8**)

Growth? Positioning?

Mr. Bustamante wondered how he could expand his business without losing distribution control. His product was unique and every line had good acceptance. He aimed to enter into new markets, have more presence in the already existing ones, and even to open franchises. How to achieve this and where to start?

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Attachement 1. Operations in the main workshops of GSB

Ceramic and resin workshop (1975-2006)

Employees: 20

Activities: casting, detailing, assembling, white background, color background, outline, lacquer, quality assurance, and only for the ceramic, baking process.

Bronze workshop (from 1988 on)

Employees: 14

Activities: molding, baking, casting, soldering, detailing, patina and quality assurance.

Jewelry workshop (from 1990 on)

Employees: 34

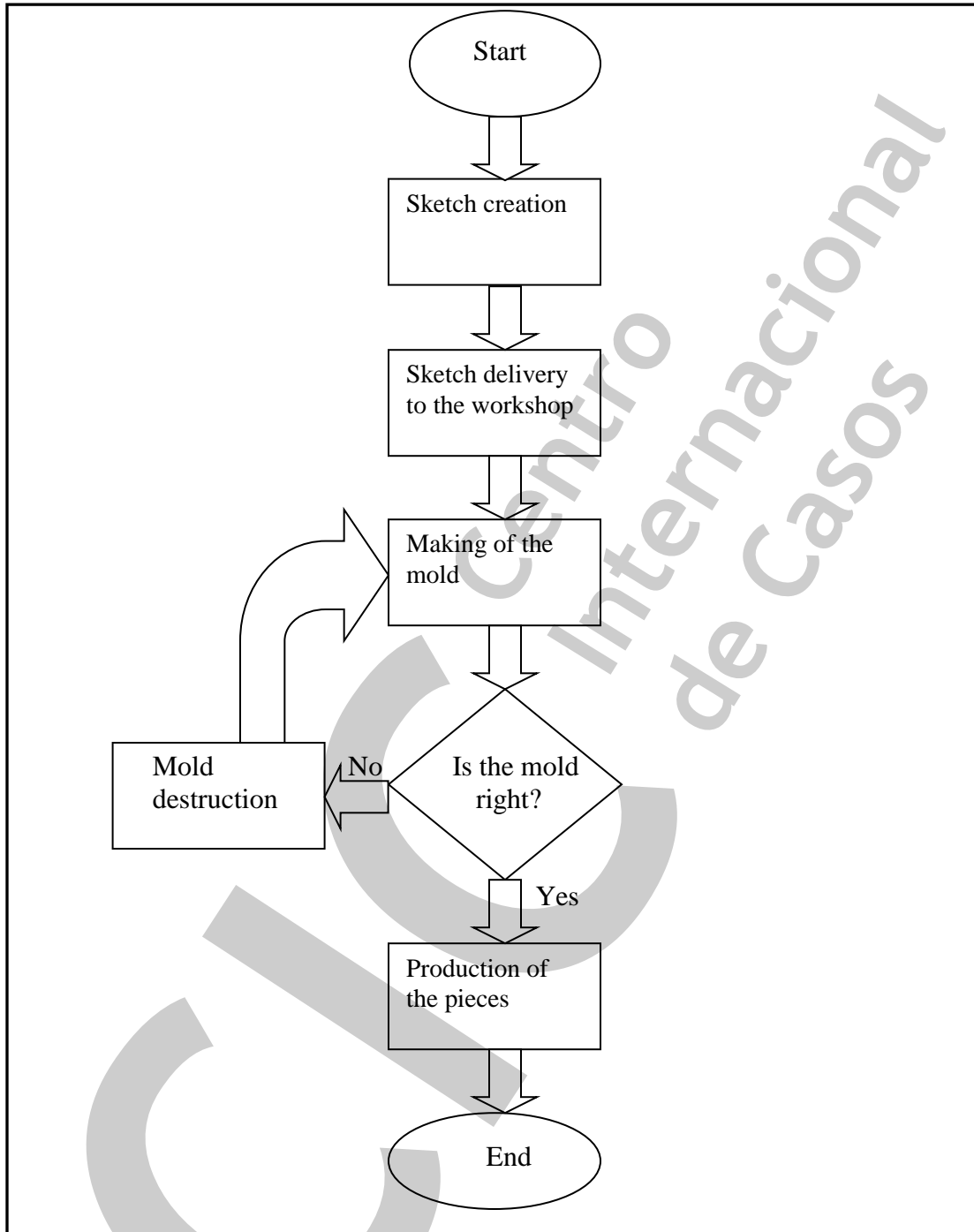
Activities: waxes, lining, baking, cutting, file and sandpaper, soldering, polishing, washing, quality assurance, masking, gold plated and shining.

Handbags workshop (from 2006 on)

Employees: 12

Activities: cutting, painting, preparation, finishing and quality assurance.

Attachment 5. Production process flow chart



Attachment 8. Sales in units by product in April 2007

Type of product	Sold units	% of sales by product
Papier mâché	13	1.16%
Resin	69	6.16%
Ceramic	43	3.84%
Handbags	31	2.77%
Wood	6	0.54%
Platform	8	0.71%
Rings	34	3.03%
Earrings	178	15.88%
Hoop earrings	11	0.98%
Chains	41	3.66%
Necklaces	167	14.90%
“Coquetas” earrings	20	1.78%
Pendants	292	26.05%
Chokers	41	3.66%
Cufflinks	23	2.05%
Bracelets	45	4.01%
“Pulso” Bracelet	24	2.14%
Bronze	72	6.42%
Etching	3	<u>0.27%</u>
Total	1121	100.00%

Source: sales report in units provided by the company