

Eastman kodak company – funtime film

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Kodak Company – Funtime Film Question: Is Kodak doing the right thing with the decision to have line extension: Gold Plus, Royal Gold and Funtime? If we consider protection and growth of Kodak's total market share to be the key objective then the introduction of a new brand in the Economy price-tier is a strategic MUST. It is crucial to be presented in the Economy tier which is fastest growing, and represents a segment with the biggest competitors.

The key objective for Funtime is to maximize gain of incremental market share from Fujicolor Super G, Konica Super SR and ScotchColor, at the same time to minimize cannibalization of Kodak Gold Plus, the biggest volume source of Kodak. Pricing strategy of Funtime is fundamentally correct, as it is competitive vs. main players in the Economy tier and is low enough to differentiate vs. Gold Plus. However, it must be clear that the price per pack should be compared. As mentioned in the case, Funtime is planned to be sold only in multi-packs of 2 and 4 rolls. In this case an additional discount per pack is necessary, in order to offer an additional value.

I suggest 10% and 15% discounts respectively. Overall, I believe that multipack strategy is a very good step to boost product loyalty: for instance, a pack of 4 rolls is almost a yearly supply for 20% of consumers, thus preventing any competitive switching within 1 year. Branding of Funtime represents a big challenge. On one hand, introduction of a new brand-name which is not a line extension of Kodak is a right decision, as it is an opportunity to minimize cannibalization of Kodak Gold Plus. Also, it shall not deteriorate the premium brand image of Kodak with a reference to a lower-

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price product. On the other hand Funtime is a completely new name, and shall not have any leverage opportunity with Kodak brand. Plus, it is virtually impossible to build brand awareness without any advertizing support, therefore my suggestion is to revise Funtime advertising strategy and dedicate up to 20% of total Kodak advertizing budget to Funtime.

Seasonality and availability in limited quantities. I criticize this decision, as I strongly believe that in order to be competitive in the Economy tier, Funtime needs to be available on the on-going basis as a regular product. Other elements of Funtime marketing strategy look quite logical and justified: ISO 100 and 200 and all-trade distribution. Profit margin implications, Funtime. The only fair assumption we can develop from the case datum is that Funtime shall source volume from competition and Kodak Gold Plus in line with the current market shares, i. . 30% of Funtime sales shall come from competition, and 70% from Kodak products.

In this case, Kodak gains some incremental market share points, while it loses on profit significantly. Rebranding of Kodak Ektar to Royal Gold. I believe that the pricing strategy needs a major revision, as it might lead to margin deterioration: - Price sensitivity of a Superpremium consumer is low, which is a general rule for most of consumer products. Therefore, I do not think that a price reduction to ind. 109 vs. Premium is going to bring incremental volume from Fujicolor Reala. We can even assume a negative consumer perception of Kodak's super-premium product quality, i.

e. Royal Gold to be perceived as a lower-quality product vs. the discontinued Ektar. - From the rest of FMCG categories we can see that there is at least

15% price gap in order to differentiate among price-tiers. In case of Royal Gold it is 9%, which is not enough. Since Kodak's conducted consumer surveys show that in total 90% are Kodak-loyal or Kodak-positive, we can assume that most of Royal Gold consumers shall switch to Kodak Gold Plus, which obviously is a negative profit-impact upon Kodak's portfolio. To conclude, Kodak's new line extension strategy is necessary to preserve the marketleadership, while unavoidably shall lead to profit-margin decline, pending some negative margin issues can be solved (Royal Gold).

Overall, I think that a 70% profit margin for a 70% brand is not sustainable in the long-term, as we speak about a highly competitive and price-driven product category.