

# [Eastman kodak](https://assignbuster.com/eastman-kodak-process-essay-samples/)

Eastman Kodak (Kodak) has generated sales growth at an increasing rate each year, but it is not all that impressive. Worse is that Kodak's operating costs grew at 15. 3% when sales only grew 2. 9% from 2002 to 2003. Costs were better controlled in 2004, but not enough to cover the increase that occurred in cost of goods sold, therefore leading to an operating loss. Sales growth is mainly a result of acquisitions and the effect of foreign exchange rates. In fact, Kodak's largest segment, Digital & Film Imaging Systems, experienced a 1% decrease in sales.

Gross profit margin is declining significantly every year and is now below 30%. This is the result of price declines in traditional film products. Kodak has not been able to replace its high-margin film products with comparable margin digital products. One positive area is the increase in gross profit margin in the Graphic Communications segment, a result of acquisitions in 2004.

R&D has been increased each year which is usually a good sign that a firm is trying to innovate; however, careful reading of the Management Discussion and Analysis (MDA) reveals that some of the increase is a result of writing off purchased in-process R&D in prior years compared to the most recent year. Most companies record this item as a separate line on their income statements, but Kodak has hidden this information.

Kodak has many challenges to overcome. Its strategy so far, has not been beneficial in terms of profitability.