Case analysis eastman kodak company marketing essay

Problem Statement: Eastman Kodak Company: Funtime Film is the case which deals with the problem which is faced by Kodak. In the year 1993 and 1994, Kodak has witnessed a drop in the market share.

US Market of Photo Film: (1993)

First, we will have a look at the US Market of the films, which will help us in understanding the market and the reasons for the downfall of Kodak can be analysed. In 1993, the total of 16 million colour exposures were made which was equivalent to 670 million 24 – exposure rolls ranging from $2. 50 to $3. 50 for a roll. From last few years, the industry has witnessed a growth of 2% with Kodak, Fuji, Agfa and 3M as the major players in the industry. Kodak offered its Gold plus brand which was the standard roll of the market. The US market offered four different categories of the films which was differentiated on the basis of price i. e. Super premium, premium, economy and price brands. The film roles were categorized on the basis of light sensitivity as ISO 100, 200 and 400.

The major sales of films in the US market were made through discount stores and departmental stores.

Competitors:

The major competitors of Kodak were Fuji, Agfa, 3M and polaroid’s branded products. Kodak and Fuji sold branded products, films, imaging products, and camera. These were the two companies who has dominance in the worldwide photographic market. Agfa and 3M sold the products under the private labels. Polaroid sourced its product from 3M and sold them.

Current Situation of Kodak:

Kodak has witnessed a decrease in the market share from 76% to 70% over past five years mainly because of the low price strategy that was followed by its competitors such as Fuji. Kodak also lost 8% of its stock because of the rumour for the price cut in the products of Kodak. Kodak's market growth was stagnant and it could achieve only 3% of the growth in comparison to Fuji and Polaraid who witnessed the market growth of 15% . Kodak was loosing its market as its biggest competitor Fuji was capturing the market by following low pricing strategy. Fuji adopted competitive strategy and different marketing tactics to achieve the worldwide sale of $10% which amounted to half of Kodak's sales. The market share of Kodak is shrinking by 1. 2% and the current gross profit earned by Kodak is 70%.

Product Line of Kodak:

Kodak offered 4 different product range each with different prices to capture the maximum market. Kodak Ektar was a premium product of Kodak which was used professionally. The other brand was Royal gold which positioned itself for ' very special' occasions like the birth of baby, graduation ceremony, Kodak spent about 40% of the total budget on this product line to attract more and more customers. The positioning used by this product helped in influencing many consumers as they are highly associated with the special occasions also known as ' Kodak Moment'. Kodak Gold Plus was the flagship brand of Kodak and had approximately 60% of the total advertising support. As Kodak generally had premium brands, it launched a brand in the name of Funtime film which focused on the customers who were price sensitive. It was an economy brand and did not have any advertising support. This product was available in limited quantities on a particular season or time. This product packed for the convince of the customers in value packs i. e. 2 rolls package of 24 exposure and 4 rolls package of 3 24 exposure rolls and 1 roll of 36 exposure.

Situation Analysis:

In this section we will try to analyse the current situation of Kodak through Michael Porter's Five force analysis, Swot analysis and BCG Matrix

The five forces that affects the US Market of Photo Films (Kodak):

The intensity of competitive rivalry: There were different players in the market which offered the same product as offered by Kodak. Major players in the market were Fuji, Agfa, 3M and polaroid's branded products. The quality of the products were almost of the same level.

Threat of New Entry: The photo film industry is based on high technology and needs huge investment. So, the threat of new entry in the market is limited. Polaraid entered the market but it sold the branded products of 3M. Thus, the treat of new entrant is less in this market.

The Bargaining power of buyer: The bargaining power of the buyers in this industry is quite high as there is no switching cost in the industry.

The Bargaining power of Suppliers: The bargaining power of suppliers is high as it is a commodity product.

Threat of Substitute products: The threat of substitute is high as per the survey conducted in the case, we ca see that consumers switch over to other films easily depending on the quality of the films offered.

SWOT Analysis:

Strengths of Kodak:

Enjoys strong brand name

Enjoys high market share i. e. 70%

Enjoys high gross profit margin of

Weaknesses of Kodak:

The price of the products offered is comparatively higher than the perceived value.

Has only 3% growth rate compared to 15% growth rate of Fuji

Opportunities:

Growth of the photo industry and increasing demand and need of the rolls and other photo film products.

Threats:

Competition mainly from Fuji and Polaraid

Advancement in technology which will reduce the need of rolls offered by the companies.

Several regulations that are followed in the photo film market.

Low growth rate.

Strategies to be followed by Kodak to gain the market share:

Kodak has to focus on gaining back its market share from 70% back to 76%. If Kodak does not work on preventing the loss in growth rate, than Fuji and Polaraid will take over the market of photo films.

For this, the company has to convert approximately 20% of the customers of the competitors towards their product and try to attract new customers as well. From the case it can be analysed that the average film usage of rolls have increased from 15 rolls to 20 rolls in the span of two years, thus we can attract new customers as the photo film market is growing.

Royal gold product of Kodak is a product of premium category the price of the same ranges from $4. 50 to $5. 0. This product is based on advanced technology and thus offers high quality. Kodak should market this product to the consumers for whom film is more than a commodity. The professional range of Kodak should also be targeted to the professional photographers. Kodak should reduce its expenses on marketing and advertising and concentrate on the improving the quality of the product as Kodak has more of loyal customers, lesser advertising expenses will help Kodak to gain more profits.

Funtime brand is available to the customers in limited quantity and in a limited season. It is an economy brand with a price range of $2. 50. According to the analysis and the case, Kodak might face risk in launching this product rather than gaining benefits from the same.

Recommendations:

To gain market share and profits, Kodak should work on improving its quality and work towards new technology which will result in better performance of the products offered.

Kodak should scan the market and work on the alternatives so as to launch its products competitive pricing as its competitors.

It should also adopt an effective marketing technique to capture the market.

The company should focus on adopting new technology so as to have higher quality performance.

Kodak also deals in imaging and camera products, Kodak should adopt new designs and new technology for its products which will add value to its pricing.

Design a marketing strategy in a way so as to convert the sampler customers to loyal customers of Kodak. This will help in increasing approximately 40% of new customers.

Scan and expand the market to different countries such as India, China which will help in gaining profits.

Develop rolls targeting children who are fond of photography.

Cut down the advertising cost.

Special Service and offers should be offered to its premium range customers.

Exhibit 1: % of sale by stores in US

Exhibit 2: Market share of the major players of Photo Film in US in 1993

Exhibit 4: Analysis of pricing:

Rolls sold by Kodak: 467 million in 1993

Gross Margin: 70%

Sales revenue by Kodak: 520. 94 + 349 = 869. 49

Sales revenue by Fuji: 628. 46 +241. 53 = 869. 99

Sales revenue by Polaraid: 176. 79

Expenses on Advertising: $50 million

Exhibit 3: Calculating the feasibility of Funtime product

The gross profit margin earned on Gold Plus range is 70%, retailer's margin is 20%.

Selling price of Gold plus is $3. 49.

Profit earned = 70% (3-49 (3-49 * 20%)

= $1. 9544

Gross Profit earned by Funtime is 70% (assumption), retailer margin is 20%

Selling price = $2. 79

Profit earned = 70% (2. 79 – (2. 79 * 20%))

= $1. 5624

Thus we can see that Funtime has lower profits than that of Gold plus.