

# Informative essay on kodak case study

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Kodak, which ruled the imaging industry through innovation for more than a century, found itself facing tough times in the early 2000s. The company lost focus by diversifying into many products and also failed to keep in touch with the changing needs of the consumers. Though a pioneer in the digital space, the company failed to take the initiative and capitalize on the digital business due to fear of cannibalizing the existing product lines. The company slowly started moving into the digital space but found that it was too late and the competition had become formidable.

The company realigned its business model and brought in top executives from outside in a bid to recapture lost ground. | |

----- Issues: » Understand the Kodak story. »

To analyze how business models have to change over time to keep abreast of the changing consumer tastes. » Analyze the rationale for Kodak's poor business performance in recent years. » Understand and explore the reasons behind Kodak's fall.

The third quarter of the year 2003 was drawing to an end when iconic brand Eastman Kodak Company (Kodak) decided to shift its focus away from its more than century-old traditional film business to the digital one. The company believed that this shift would boost sales, which had fallen by 5.14% to US\$12.5 billion in 2002, to US\$16 billion by 2006 and further to US\$20 billion in 2010. Daniel Allen 'Dan' Carp (Carp), Chairman and Chief Executive Officer of the company, said, " We are acting with the knowledge that demand for traditional products is declining, especially in the developed markets. | | Given this reality, we are moving fast - as digital markets demand - to transform our business portfolio, with an emphasis on digital

commercial markets. " According to an industry observer, the shift began in the first quarter of 2003 itself when the company realigned its leadership team and began hiring top leaders with experience in digital technology. However, Kodak witnessed a major leadership shift in April 2003, when Antonio M. Perez (Perez), Corporate Vice President of Hewlett Packard (HP)<sup>6</sup>, left his 25-year career in HP and joined Kodak as President and Chief Operation Officer (COO).

In August 2003, the company announced that it had realigned its operations into five main categories: Commercial Printing, Display & Components, Health Imaging, Digital & Film Imaging Systems, and Commercial Imaging. Carp said, " The digital world is full of opportunity for Kodak, and we intend to lead it, as we have led innovation in the imaging industry for more than a century. " <sup>7</sup> ----- Eastman Kodak Company's Journey

Kodak's journey began in April 1880 when George Eastman (Eastman), a junior clerk at Rochester Savings Bank <sup>8</sup>, started manufacturing photographic dry-plates<sup>9</sup> on the third floor of a building on State Street in Rochester, US. In 1879, before he got into manufacturing, Eastman had invented an emulsion-coating machine which helped in the mass production of dry plates. The commercial production of the dry plates impressed a manufacturer of buggy-whips<sup>10</sup> and family friend Henry Alvah Strong (Strong). Strong provided funding support and later, in 1881, Eastman and he formed a partnership under the name Eastman Dry Plate Company.

In the same year, Eastman resigned from his junior clerk post to go full time into his business. | | In 1883, he launched films in rolls with a roll holder

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which was adaptable to nearly every plate camera available in the market at that time. In 1884, the partnership was changed to a US\$200, 00011 corporation with 14 shareholders. It was renamed as The Eastman Dry Plate and Film Company. Strong and Eastman became president and treasurer of the company respectively. In 1888, with the launch of the 'Kodak' camera with a 100-picture film for US\$25 12, Eastman revolutionized photography.

To market this product, the company used the slogan 'You press the button, we do the rest'. This invention reinforced the company's commitment to bringing photography to the common man at the lowest possible price. The camera proved to be a commercial success. Eastman trademarked the 'Kodak' brand name and the word Kodak was incorporated into the company name. In 1889, the Eastman Photographic Materials Company Limited was incorporated in London, England, to handle the distribution of Kodak products in countries outside the US.

In 1891, the company came up with the first daylight loading camera which could be reloaded without the darkroom having to be used. In 1891, the first manufacturing plant outside the US was started at Harrow, England. Before this plant was set up, all the goods were manufactured in Rochester. In 1892, the company was reorganized and renamed as the Eastman Kodak Company. The company introduced the pocket Kodak camera in 1895. In 1896, it crossed the 100, 000-mark in camera production. By then, film and photographic paper were being made at the rate of 400 miles a month...

----- Challenging Period Right from the 1950s, Kodak faced tough competition from Japanese manufacturers like Fuji in the film business and Olympus Corporation (Olympus), Nikon Corporation

(Nikon), Canon Inc. (Canon), and others in the camera market. Kodak, however, continued to develop new products. In 1975, the company invented the world's first digital camera which could take black and white photos with a resolution of 10, 000 pixels (. 01 megapixels) .

In 1979, the company developed the world's first viable Organic Light-Emitting Diode (OLED) material. Kodak kicked off the OLED industry with its reports of the first working OLED devices in 1987... | |  
----- Kodak(2000-2003) In 2000, Carp, President, Kodak, took on additional charge as CEO. In the same year, the company acquired Lumisys, Inc. , through a stock buy of around US\$39 million. On September 26, 2000, InfoTrends Research Group Inc. (InfoTrends) came up with a new report '2000 Worldwide Digital Camera Forecast Summar'.

According to the report, digital camera sales represented 13% of total camera sales all over the world and North America and Japan were the leading markets with 52% and 23% share respectively in digital camera sales worldwide. The worldwide digital camera market was led by Olympus, Sony, Kodak, and Fuji with a 60% combined unit market share...  
----- Lessons from Kodak DIVERSIFICATION ISN'T ALWAYS THE ANSWER To overcome its volatile growth rate, the company decided to diversify into other related but noncore industries.

Between the 1980s and the early 1990s, the company tried to diversify into other industries and acquired various companies in different industries. It acquired the copier services business of IBS, a pharmaceuticals company, the medical diagnostics business, computer hardware business, Mass  
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Memory business, and bioscience and lab research firms. However, none of its attempts at diversification were a success. In fact, they increased Kodak's debt burden. OUTSIDER FOR TOP POSITION - IS IT A GOOD IDEA? Kodak had also brought in two CEOs from other industries - George Fisher from Motorola and Antonio Perez of Hewlett-Packard.

The idea was that a CEO from a different industry would bring in new ideas which would help the company retain its position and business volumes. According to experts, the idea of putting an outsider in the top place did not work out for Kodak as it made the in-house leadership unhappy.

----- Kodak's Strategy for Future Growth In 2003, Kodak unveiled its digital-oriented growth strategy. It believed that its sales would touch US\$16 billion and US\$20 billion by 2006 and 2010 respectively.

To achieve its target, the company realigned its operation and leadership team and hired many top leaders with experience in digital technology to accelerate its growth in the digital space. The company hired Perez, Corporate Vice President of HP, as President and Chief Operating Officer (COO), Yusuke Kojima from Olympus Optical Company, Ltd. (Olympus) as General Manager of the Consumer Digital Camera Business, Bernard Masson from Lexmark International Inc. as President of Kodak's Display Group, and Daniel Kerpelman from GE Healthcare as Head of the company's medical-imaging group...