Harvard review case study: eastman kodak company: funtime film essay sample

1. 0 Introduction

Success in Business goes far than just having capital to start the business. There are a combination of numerous actions and considerations that every businessman or company should be ready to encounter. This paper seeks to illustrate the different situations in the market that a product may face and strategies taken in order to keep the company making sales as well as maintaining its market share. Competition still remains the most dominant challenge to any product (Kotler & Keller, 2009) and many companies have gone under because of losing to other players in the market. Competition brings in the issue of consumer behavior: Consumer preferences and buying decisions. There is need to understand that all customers are not the same both financially and in term of their tastes and preferences.

Strategies such as pricing, advertising, product re branding, new products launches and customer segmentation are thoroughly explained in this paper. A major outlook at influences on consumer decision such as brand loyalty, price, quality, and sampling among others also makes a significant content. In this paper, a case study of the Funtime Film from Kodak shows how the above aspects come into play using a practical situation. We examine the various strategies in which Kodak has ventured in over the years in its quest to remain the leader in film and print industry.

2. 0 Background

Kodak is a major player in the film industry with studies rating it to be the most famous brand in the United States. In 1993, Kodak had a market share of 70% (This was a decrease from 76% recorded over the past three years) in the U. S with its competitors Fuji, Polaroid, Private label and others following it with 11%, 4%, 10% and 5% respectively. The decrease in Kodak's market share emerged from its competitors attracting consumers with lower-priced versions. Kodak's competitors have proved to pose a challenge with examples of Fuji and Polaroid both recording a 15% growth in sales while Kodak's sales only grew by 3% in the same year. Kodak and Fuji could only sell branded product because of the 1921 consent decree and therefore Kodak could not sell film on a private basis. Kodak faced the biggest competition for dominance when Fuji went into Kodak territory in 1984. Fuji made half of Kodak's sales. There were four price tiers in the market with Kodak Gold plus, the largest selling premium brand set at $3. 49

On January 25 th 1994, Kodak set out to try the Funtime strategy with a major repositioning of its product line. An emulsion technology would be used and three films would be offered. The Funtime film was meant to give Kodak presence in the Economy Brand Tier at a price 20% below gold plus per roll. Funtime was to be offered during off peak season, 2-3 months starting April and 2-3 months starting September. It would be offered in the two most popular speeds ISO 100 and 200 get no advertising support and would be available in limited quantities. Funtime would come in Value packs of two types: two rolls of twenty four exposures or a four roll package with three rolls of twenty four exposures and one roll of thirty six exposures.

According to the Vice president and general manager of Kodak imaging in U. S and Canada Alexander Wasilov, Funtime would drive both market share and earnings for Kodak. However, Konica director of marketing called it a desperate move to regain market share and not to make the industry profitable. The other two films were Kodak Gold Plus and Royal Gold. Royal Gold which would replace Ektar would not only target Amateurs and professionals but would be introduced as a brand to cover important occasions due to its richer color saturating, sharper pictures and is also suitable where there maybe need for enlargement. Royal Gold would go for 20% above Kodak gold retail price. The amounts reserved for advertising would go to Kodak Gold and Royal Gold at 60% and 40% respectively.

3. 0 Analysis

As much as Kodak still possesses the largest market share in the world, it has not come without challenges of competition. From the case study, it is notable that its market share fell from 76% to 70% in five years. The reason behind this is quite obvious: New entrants into the market and rising of existing players are solely responsible. Every company wants to win customers to themselves and will do that using all possible manner including providing lower priced versions of the product. The biggest challenge now comes on how a company can maintain its market share while still supplying quality products. Kodak in this case uses the Funtime strategy. Customer satisfaction is king when it comes to acquiring market share. Let us first examine customer behavior and what influences them to buy different products.

3. 0 The film market

Kodak dominates the U. S market being the most preferred choice of film.

This is true according to the survey conducted in 1993 where Kodak takes

70% market share with others in the market sharing the other 30%. Major companies apart from Kodak include Fuji, Agfa, Polaroid, Konica and Scotch color. This shows competition which is a good prerequisite in ensuring consumers get the best as firms compete to win the market. In 1993, approximately 670 million 24 exposure rolls were made with prices going between $2. 50 and $3. 50 each. The average number of rolls bought per year was 15 with different households differing in film usage rates. It is evident that there is high demand for films in the U. S with an average of 13% buying more than 25 rolls per year. Actual quality differences of films in the same speed are unclear though some companies like Fuji tried to position themselves as using advanced technology and thus their film was of high quality. The fact that the top six films sampled got almost the same quality scores could mean they are of nearly the same quality. Top six brands scored 92 – 95 out of 100 with Polaroid High definition taking the lead. More than half of picture takers know little or nothing about photography hence view film as a commodity, often buying on price alone. It therefore becomes difficult to sell a product based on quality alone without considering the price.

3. 2 Consumer behavior vs. company strategies

Every customer has different needs and will only purchase products that bring in maximum utility at the least possible cost. This is according to Mierau (2000). This paper examines the various aspects of factors affecting consumer decision that are significant in the case study.

3. 2. a) Prices

Customers will always look at price before purchase. The law of demand states that the lower the price the higher the demand and the higher the price the lower the demand. Fuji photo film and Konica Corp introduced lower-priced versions in a bid to acquire market share which was indeed successful and managed to lower Kodak's market share by 6% in five years. Kodak in a bid to counter the competition proposed introduction of a new brand that would go for 20% below its Gold plus brand. This was viewed in different ways as it could also lead to loss in customer loyalty. As opposed to increasing sales, reduction in price might lead to loss of value of a product. Customers sometimes tend to believe that reduction in prices goes with reduction in quality hence feel skeptical about buying the product. Kodak stock lost 8% in value as a result of rumors of a price cut in film.

3. 2. b) Advertisement

Advertisement acts as the means by which a company presents its product as the best to buy. Advertising definitely increases sales. Fuji captured consumer's attention, particularly in the United States when it became the official film for the 1984 Summer Olympics in Los Angeles. This way it was able to penetrate into Kodak's territory. Its sales grew at over 15% in 1993. Kodak supposedly spent about $50 million on camera and film supply advertisement in 1993 which could explain its dominance in the market. Kodak plans to spend 60% and 40% on the Gold Plus and Royal Gold films respectively on advertising.

3. 2. c) Brand Name and Brand loyalty

According to satisfaction obtained by a customer, there is likely to be repeat purchase and consequently brand loyalty. Kodak's study revealed that 50 % of its buyers were Kodak loyal, 40% were samplers and 10% shopped on price. It is therefore very important to please customers to keep them coming back to you. Kodak's Gold Plus film is still the best selling even though it is the highest priced premium brand at $3. 49. Jim Senus the Kodak's Manager of General Merchandise Marketing says that the importance of the brand name in consumer decision is still strong.

3. 2. d) New products and sampling

Whenever a new product emerges, there is a tendency of people wanting to test it and compare it with what they have been using. This is especially so when the product comes with a lot of advertising to describe its benefits and features. Kodak launches the Royal Gold and the Funtime film with the hope of capturing new markets. Royal Gold particularly could attract more customers due to its distinctive picture quality.

3. 3 Kodak's Funtime film strategy

Kodak in its bid to counter competition proposed to introduce a brand at Fuji and Konica's price level. It was meant to give Kodak presence in the Economy Brand Tier. This they did by introducing the Funtime film at 20% below its Gold Plus brand. Previously, Kodak had attempted to win market share back by introducing super premium brand Ektar. The Funtime film idea was well calculated. Kodak plans to give an offer during off peak periods of a modified version of the Gold film at a slightly lower price. Whereas people may not need to buy films during these particular seasons, Kodak will lure them to buy through the cheaper brand on offer. No marketing costs are involved in this strategy and therefore it does no cost the company much. The fact that the Funtime film comes packaged in Value packs will ensure quick sales since customers will have to purchase at least two rolls at a go. Alexander Wasilov, the Kodak's Vice president and General Manager, Consumer imaging in the U. S and Canada describes the repositioning in the film product line as intelligent risk taking that will drive both Kodak's market share and earnings.

4. 0 Conclusion

Kodak still has a challenging task in keeping its position as the leading company in film supplies. It faces stiff competition from other players in the market providing the same commodity. However, considering its change in strategy, dedication to marketing and advancement in technology, Kodak should continue giving its competitors a very hard task. Of all the companies supplying film products, there comes out a distinctive goal: maximizing sales and capturing market share. Every company wants to outdo the other in the market with each using different tactics such as reducing prices, advertising and discounts.

Coming up with a marketing strategy is one thing. How the strategy will work out in favor of the company is a different thing all together. According to Kotler &Keller (2009), a proper marketing strategy should incorporate so much more than a plan. It should consider the cost of the strategy compared to the returns, the target population and hence the media to be used in getting the message across. Once in place, it is the company's duty to follow up to find out if the strategy worked and whether the project is worth investing in.

The purpose of this paper was to try and explain the various aspects of marketing in acquiring and maintaining market share. With a good example of Kodak fighting to maintain its top position in the U. S market, it is clear that even with a high market share there is still much to be done in maintaining this status. Every company should be able to evaluate and analyze the possibility of a marketing idea bringing forth positive results. This should be done through market surveys and comparison between other companies and also previous programs. Whichever the product in question is, there are a combination of factors to be put on the table for consideration. Even though its profit maximization and market share increase goals are important, the consumers always come first because they are the ones who determine whether these goals are going to be met.

5. 0 References

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