Evaluate kodaks position in traditional photography media essay

In 1880, George Eastman invented the first camera which uses a dry-plate formula and also a machine to make these plates (Gavetti et al, 2005). George established Eastman Kodak Company in Rochester, New York. The dry plate technology was later replaced by film rolls named as Kodak. In 1888, Kodak Company introduced the camera with the tag line, 'You press the button we do the rest'(Gavetti et al, 2005). The main goals of company to be successful were to mass produce at low cost, worldwide distribution, aggressive advertising, customers need oriented and continuous R&D. In the article Kodak and the digital revolution by G. Gavetti, R. Henderson and S. Georgi, Eastman quoted that, 'Nothing is more important than the value of our name and the quality it stands for. We must make quality our fighting argument.' Kodak used the razor blade model for the business and sold out cameras at cheaper price, while the cost of film and developing was higher.

Kodak developed color films in 1921 and was first introduced for consumers in 1963. By the end of 1967, Kodak holds 90% of film making and 85% of camera sales (Gavetti et al, 2005). In 1981, Sony Corporation introduced the first digital camera named Mavica. Kodak had this technology before Sony launched it, but they were afraid of cannibalization of the silver halide technology. Fuji Film came in to market with a 400 speed color film and low cost photographic papers. It was the official sponsor of Olympics 1984. By the end of 1993, Fuji acquired 21% of worldwide market (Gavetti et al, 2005).

In 1993, Kodak hired Fisher as the new CEO of the Company. Fisher changed the razor blade business model to network and consumables model. Fisher tried to change the way of thinking at Kodak Company but it did not worked.

Later, Fisher was replaced by Former General Manager of Kodak Canada, Daniel Carp. Carp resumed with the same business model. Kodak now excelled in cameras, online services and image printing at kiosk or inkjet printers.

Evaluate Kodak's position in traditional photography. Why has the company historically been so successful?

In 1885, Eastman established Kodak with the aim of producing a user friendly product. The slogan did the thing of marketing for the company, i. e. 'You click the button we do the rest.'(Gavetti et al, 2005). The company was very successful and there were literary no competitors to them. Kodak believed in quality and customer need satisfaction. Kodak's marketing strategy kept the customers away from switching to other cheaper brands. The razor blade model helped the company to fetch profits from films and image processing. The introduction of color imaging lagged the competitors far behind.

To conclude, during 1970s, Kodak was very successful because of continuous innovation, customer satisfaction and aggressive marketing. This allowed Kodak to setup a standard barrier for other companies to enter the market.

Compare traditional and digital imaging. What are the main structural differences? How have value creation and appropriation changed in digital relative to traditional photography.

Traditional imaging used silver halide technology while digital imaging used electronic image sensors. Both these technologies are different from the technological point and also in structure and organization of company.

In the traditional imaging, films were the only means of storage and Kodak had mastered in that field. While in the digital technology, as the barriers can be easily overcome, there were many new entrants in the market like Fuji and Sony. Digital imaging led to a fast change in the market. The prices fall drastically and customers now need more complementary resources.

This new technology was more based on horizontal structure of the company rather than vertical. This led to a complete change in the organization of the company. Companies developed the habit of first mover policy for a particular segment of supply chain. Customers were provided with different complementary resource and continuous improvement in the technology created appropriate value for the company.

Thus, digital imaging has led to segmentation of customers based on prices, quality of images, user friendliness and type of storage. Each company should focus on a particular segment and try to maximize its appropriation and thereby the profit margins.

Evaluate Kodak's response to Sony's introduction of Mavica in 1981.

Kodak used the Razor Blade model in the business of cameras and image processing. They sold cameras at cheaper price and obtained high profits for films and image processing. Kodak earned its profits from film and not from cameras. This model was successful for Kodak and they earned $1 billion in

1962 and captured 85% of the USA camera market(Gavetti et al, 2005). Kodak was recognized for its quality and people preferred Kodak over low cost other brands.

In 1981, Sony introduced Mavica, a filmless camera. It stored images in a floppy disk and these images can be seen directly on TV sets. Kodak was afraid of cannibalism of its silver halide technology. The profit margin of silver halide technology was at least 50% more compared to digital imaging. So Kodak decided to continue with the traditional photography. Later Kodak was threatened by the digital photography and so they decided to diversify their business in fields like pharmaceutics, clinical diagnostics and mass storage. This led Kodak away from its core business of photography. Kodak also invested in the digital imaging technology but majority of business was still focused on film photography.

Kodak's response to Sony's introduction of Mavica was inappropriate. Kodak management was very much engaged in the traditional photography that they ignored the threat of digital imaging. According to Porter's five forces, 1) Rivals like Fuji and Sony were increasing market share by introducing cheap and differentiated products from Kodak. Rivalry is the biggest threat to any company. 2) Other substitutes like mobile phones with camera and camcorders were introduced by other companies. 3) Consumers were moving towards digital cameras were they can save money on printing. Instead of continuing with the traditional photography and looking for higher profits, Kodak should have moved on with new technologies to gain an edge over rivals as they were already holding a large amount of market share.

Fishers's Attempt to transform Kodak.

In 1993, Kodak replaced Whitmore by hiring George Fisher. Fisher was former CEO of Motorola. Fisher misjudged Kodak as an imaging company and not a film making company. Fisher wanted Kodak to focus on imaging rather than diversified business. Fisher closed most of the diversified business like pharmaceuticals and chemical industry. Fisher helped Kodak to reduce the cost of production by developing joint ventures in China.

Fisher also tried to re organize the company and rethink how to expand Kodak's market. Fisher wanted Kodak to make profits in hardware like Motorola and so he developed costly digital cameras which were unsuccessful due to high competition. Fisher had worked in an environment where people argue with each other and make the decision more effective. While Kodak was the company where people were trained to take orders from top management and never argue about it.

Thus fisher's attempt to make Kodak like Motorola has failed as Kodak is not a hardware company but a service company. Moreover, employees of Kodak were not accustomed to argue with the top management in making decisions.

Kodak's current position in Digital imaging.

Initially when Kodak entered the market in 1888, their business model was razor blade model. They started selling cameras at cheaper price and earned profits from films and image development. During the era of traditional photography, Kodak earned huge profits from making films and chemicals for image development. After the development of 1st digital camera by Sony in 1981, the market for traditional film photography started shrinking. Kodak took long time before they entered in the digital imaging market. That's the reason they came down to position 3 in the industry behind Fuji and Nikon (plunkett).

Today, Kodak's business is divided in 3 major segments namely, Graphic communication group (GCG), consumer digital imaging group (CDG) and film, photofinishing and entertainment group (FPEG). Sales of 2009 have decreased compared to 2008 due to economic slowdown. Over 2008, Kodak's 2009 GCG sales decreased by 18%, CDG by 15% and FPEG by 25%.

Position of Kodak, had they adopted digital imaging strategy in 80s and 90s.

The digital imaging era began in 1981, when Sony launched the 1st filmless camera to the market. During this period, Kodak ignored the change in the market and kept on going with the traditional imaging. The company was looking for profits and forgot to consider the future trends. During 1980s, Whitmore tried to diversify the company to various unrelated business. If they had not invested in all those industries and invested in digital imaging, the scenario would be completely different. Kodak's view of digital imaging in 1980s as photo CD was also a disaster. They spend millions of dollars in developing this project and finally end up distributing to the wrong segment of customers.

Fisher's idea of concentrating on core business was good, and he paid off debts by selling the unrelated business. But he failed to restructure the company as digital imaging company. His idea of Kodak as hardware

Company was a blunder as Kodak was good at services rather than hardware production.

All this events led Kodak away from the core profitable business of imaging. It allowed rival industries to get ahead in terms of sales and market share. Fuji is making out profits by developing large number of minilabs across the world.