

Kodak and the Digital Revolution

Brief Overview:

Kodak is a multinational American corporation which has become a household name most known for its film products. The company has come face to face with many changes due to the digital revolution which has created a rapid changing photography industry. George Eastman began Kodak in 1880 and introduced the first Kodak camera in 1888 coining the slogan "you press the button, we do the rest." Eastman held a high standard for the company when it came to competition however with many managerial and product line changes, Kodak has slowly fallen behind in the industry. The company has experienced many shortcomings with the most recent trend of digital photography. According to Exhibit 7, from 1998-2002 Kodak was 2nd to Sony in the U.S. for the percent of units sold. The company is now considering layoffs as market share, film sales, and company revenues are down.

Problems:

- The company is faced with multiple managerial problems. First, the company lacked fresh blood in its management team. All of its CEO's primarily came from the manufacturing jobs within its own company. This hurt the company overall and put a damper on keeping up with technological changes and competition as "Kodak avoided anything risky or innovative." Second, when the company finally did add new blood to its management team things still didn't look up. CEO Kay Whitmore was added in 1990 and changed the focus to "film based technology" such as the Photo CD. In an attempt to integrate this new technology with the CD-ROM in a meeting with Bill Gates, Whitmore's lack of interest made her fall asleep.
- Over a 10 year span, beginning when Kodak was able to achieve about 90% of the film market and 85% of U.S. camera sales Kodak diversified the company by acquiring many companies related and unrelated to the film and digital camera business. By the end of this massive diversification process led by CEO Colby Chandler, Kodak lost about 5% of its market share.
- Kodak was forced to waste time restructuring because of poor managerial decisions and abandoned vertical integration. Chandler created multiple divisions to explore new technologies hoping to be able to enter this new market it hadn't been able to enter. George Fisher, a CEO that came later, again had to restructure the company as Chandler's vision did not work. Fisher, divested the health segment Chandler's management team

worked to acquired using most of its proceeds to pay off debt and announced the unrelated acquisitions to be a mistake. Under Fisher's reign though, Fuji was able to again increase its market share requiring Kodak to cut costs and jobs.

- Kodak's management team emphasized the importance and its main focus on film sales ignoring the "silver-halide technology" which its competitors began to market and sell in great numbers. The company's narrow view and primary focus on film also resulted in it falling behind on a new product: the disposal camera. Because of these poor management decisions, Kodak began to lose market share and was behind in development and research to create its own competitive products – overall, Kodak lost out on its chance to be a part of the beginning of the digital revolution. As the case states, "Kodak's managers ignored internal analysis of Kodak's eroding market share: 'they didn't believe the American public would buy another film'."
- A huge mistake by Kodak was to pass up on an opportunity to become the official sponsor of the Olympics in 1981 which was taken by Fuji Photo Film Co. This decision ultimately cost the company market share worldwide as "consumers learned they could get high-quality pictures with film that cost much less than Kodak's did."

Proposed Solutions/Evaluations: (since this case was published Kodak has been able to begin breaking ground in the digital photography and printing markets which is what I've based by solutions on)

Form a Strategic Alliance with Cellular Phone Providers

By forming a strategic alliance with cellular phone providers Kodak will be able to market its products and services to a greater market share. In order to do this, Kodak would need to develop an application that is user friendly and easy to access from cellular phones. None of its competition has done this. Offering this application free to all subscribers, Kodak would reap the benefits when the subscriber utilizes the application to make a purchase of printed pictures. Majority of all cellular phones sold today come with a digital camera installed. Most times, users do not print or upload these pictures to their computers because of the hassle. If Kodak implemented an application that automatically came with new cell phones, the user would have the opportunity to immediately upload these photos by the click of a button to the online KodakGallery – an online tool Kodak has already introduced. Below would be the process:

- a. Take picture on cellular phone.
- b. Automatically a screen pops up asking you if you would like to save the picture: click yes.
- c. Now the picture is saved to your phone. By clicking yes with the free Kodak application installed on your phone your picture is automatically uploaded to the KodakGallery as well.
- d. Select a printing location from your phone, home computer, or in store kiosk or minilab.

With your photo now available in the KodakGallery you can either visit their website at www.KodakGallery.com to preview the photo, edit, and print or you can conveniently open the Kodak application from your phone and make your selections to be printed right then and there to a retail store that you have already selected when you first subscribed for the service when you bought your phone. Kodak does not offer this service now and I do not know of any other company that does. This would be convenient for the consumer and Kodak would be the only service available to offer this to the cell phone user. This would not only promote this service to the user but would also give Kodak the exposure it needs to market its other products.

Add More Kodak Kiosks and Minilabs to Increase Market Share and Overall Portfolio

Under CEO George Fisher's reign, Kodak's initiatives and overall stability began to look up. "Fisher pushed the introduction of the digital print station" which included kiosks and minilabs. As more and more people began purchasing digital cameras film sales declined significantly. This hurt Kodak in two ways: film sales and film developing. Kodak was not only in business to sell film but they were also in business to develop the film. As digital camera's were on the rise less and less pictures were actually being printed. Kodak began to adjust to this change by adding minilabs and kiosks in stores and even purchased an online photography service named Ofoto which is now called the KodakGallery. However, Kodak's competition is still evident with many online services offering the same "print on demand" features.

As the case states, the Picture Maker kiosks account for over \$200M in sales and has even created a repeat buyer market when they had a network of 19,000 kiosks. According to Kodak's company website they now offer over 80,000 kiosks and minilabs

worldwide through business partners including CVS, Walmart, and Target. This is quite an accomplishment from when this case was written. With just 80,000 kiosks and minilabs today I believe this is a number that can only go up from here. I think it is important for Kodak to increase its market share in the digital printing services as well as promote its photography products. This is a huge part of the company's revenues now and will continue to be if they keep this as a priority in their list of initiatives. Kodak needs to continue its leadership in this service and continue to improve its quality to keep its competitors from entering and stealing its market share.

Best Solution Proposal:

I know that I should pick one of these solutions however, I feel both combined would be the best solution overall for the company to continue improving its portfolio while regaining a much needed market share in this digital photography revolution. I feel this way because by forming a strategic alliance with cellular phone providers and offering a service that users can only get through Kodak this alone would give the company a much need strategic advantage. However, by having a greater variety of kiosks and minilabs the application on cellular phones would be that much more readily available and used by the consumer.

There are many steps involved to implement this solution. First, the company would need to hire software specialist and engineers to develop an application that is user friendly and compatible with multiple brands of phones. Second, Kodak would need to engage in a strategic alliance with the cellular phone providers and sell the advantage to everyone involved. Next, Kodak would need to map out its placement of kiosks and minilabs around the world and see where they should focus on implementing new ones as well as updating old ones to work with this new application.

This process may take upwards to 5 or 6 years or so to break ground and gain market share however it may take a few more years to catch on. Kodak should continue its marketing theme of "ease of use" in order to sell this to the consumer which I think would work fabulously considering it is in fact making it easier and less tedious to print photos from your cell phone since there are less steps. This would allow the user to print photos from their phone by selecting a location to have them printed or they can easily view their photos from a computer since they are already uploaded to the KodakGallery website by the click of a button. It would also allow them to visit the store where the kiosk or minilab is located to view the photos and

make any edits needed. Having a larger variety of kiosks and minilabs too will give the user a greater variety of places to have their photos printed which will in turn increase the use.

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