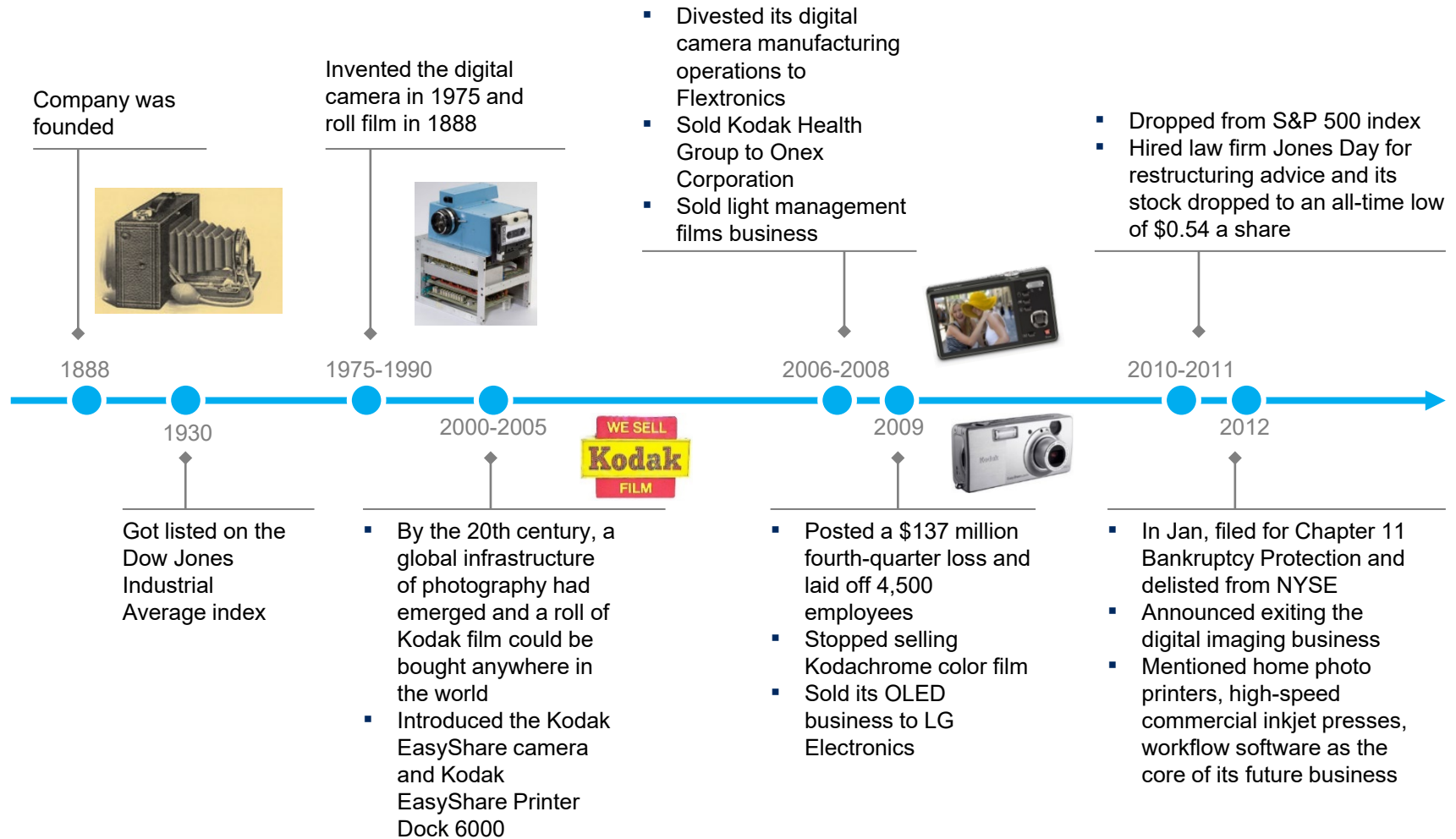


The Sad Kodak Moment- Analyzing the Fall

NOVA SBE BUSINESS SEMINAR

Transformation | April 2019

Kodak – timeline of a fall

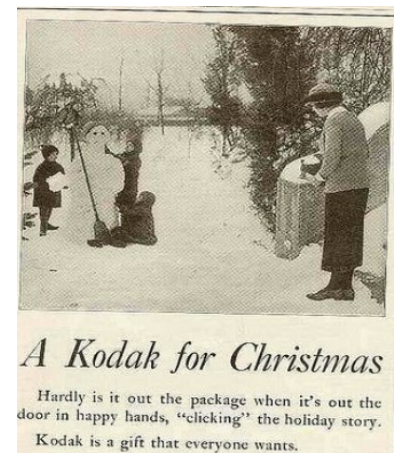


The why and how of the fall...(1/2)

A legendary brand: Kodak is (or was?) like Coca-Cola, a brand-name that **defined an industry**. The company's ubiquity was such that its tagline "Kodak moment" entered common lexicon and it was regularly rated one of the **world's five most valuable brands**. The first astronauts to walk the moon documented their historic expedition with a shoe box-sized Kodak camera.

A market leader: During 1976, company was an **industrial giant**, having 90% of film and 85% of camera sales in the US. From the creation of film stored in rolls to the invention of the first digital camera, Kodak has been **one of the most innovative photography companies** for more than a century.

The fall: Kodak was the **largest seller of digital cameras** in the US, with revenue reaching \$5.7 bn. By 2007 it had fallen to fourth place and by 2010 to seventh. At the end of September 2011, it had about \$5.1 billion of assets and \$6.75 billion of liabilities. **Market value recently sunk below \$100 million** from \$31 billion 15 years ago



The why and how of the fall... (2/2)

Some of the common reasons cited for the fall is that they **failed to adapt in time**. Moreover, their sideline businesses simply **could not scale** at a rate that might **make up for the loss of film revenues**

In 1975, Kodak Labs invented the **first digital camera**. Unfortunately, management saw the new technology as a **threat to their very profitable film business**, so they **didn't pursue it**, assuming film would last forever. By the time they got into the digital business in 1990, it was already too late. As usual, they made a great product that was easy to use. But by then, **overseas competitors were making millions of cameras very cheaply**.

In recent times, it suffered from a **"liquidity shortfall"** as some of the vendors stopped shipping and providing services, and demanded shorter payment terms. It struggled to meet the requisites like pension and other obligations of more than 65,000 workers, retirees and others.

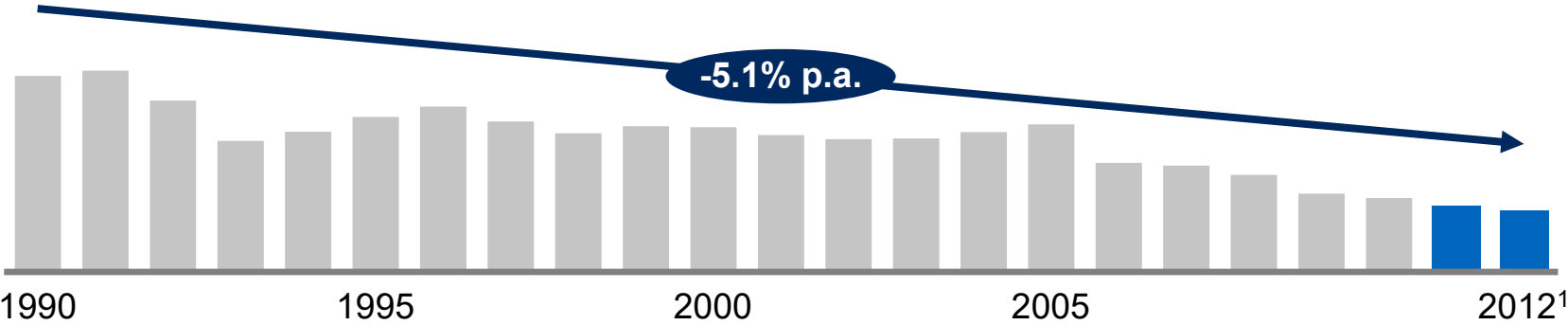


Kodak's revenues have suffered and headcount diminished during the last two decades

Revenue

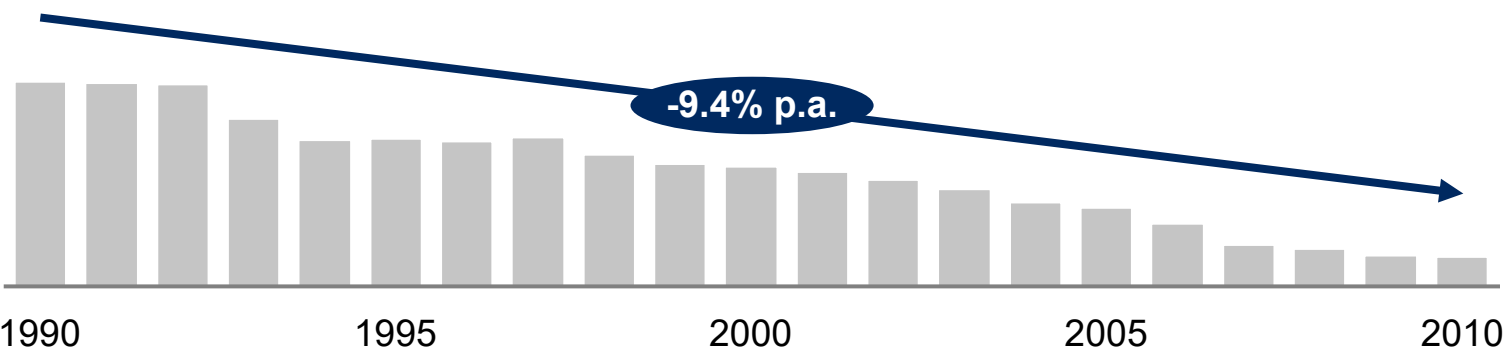
USD million, CAGR percent

Estimates



Headcount

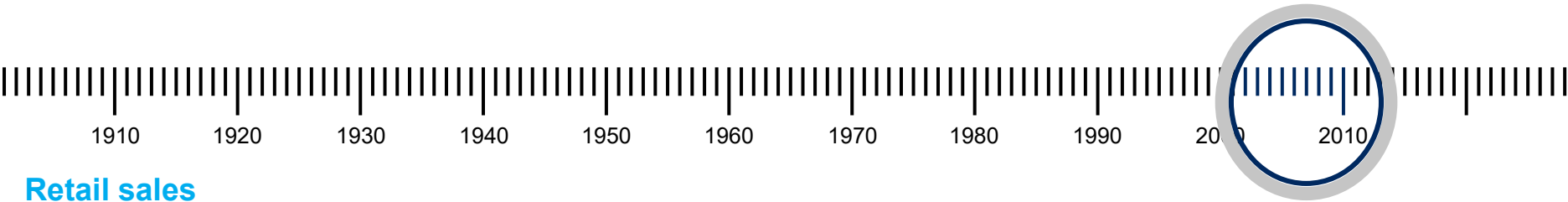
Thousands



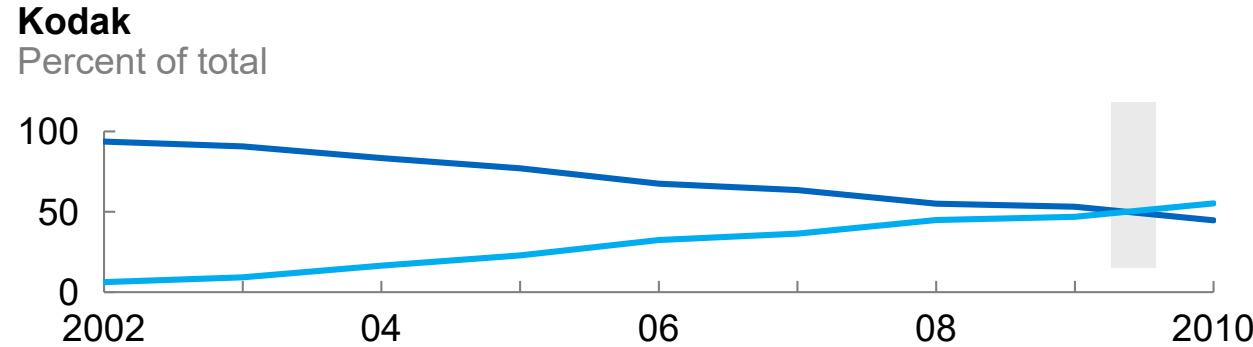
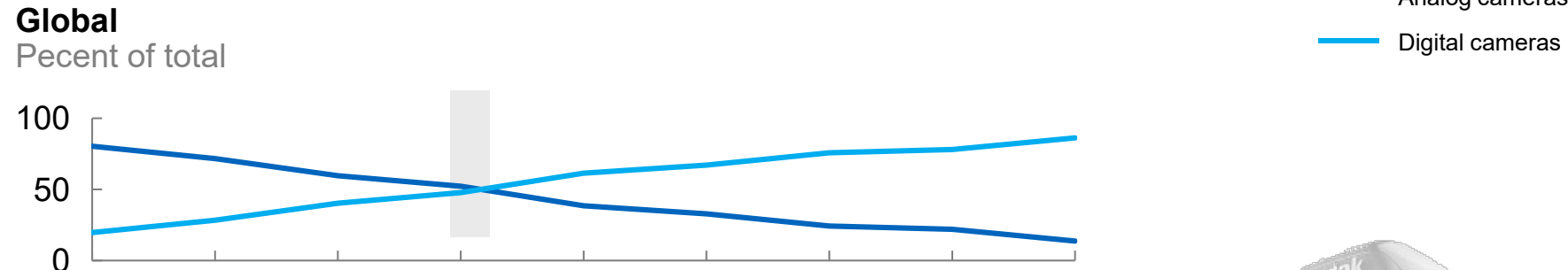
¹ Estimates

SOURCE: Annual reports; Company Web site; McKinsey analysis

Kodak's move into digital photography came too late



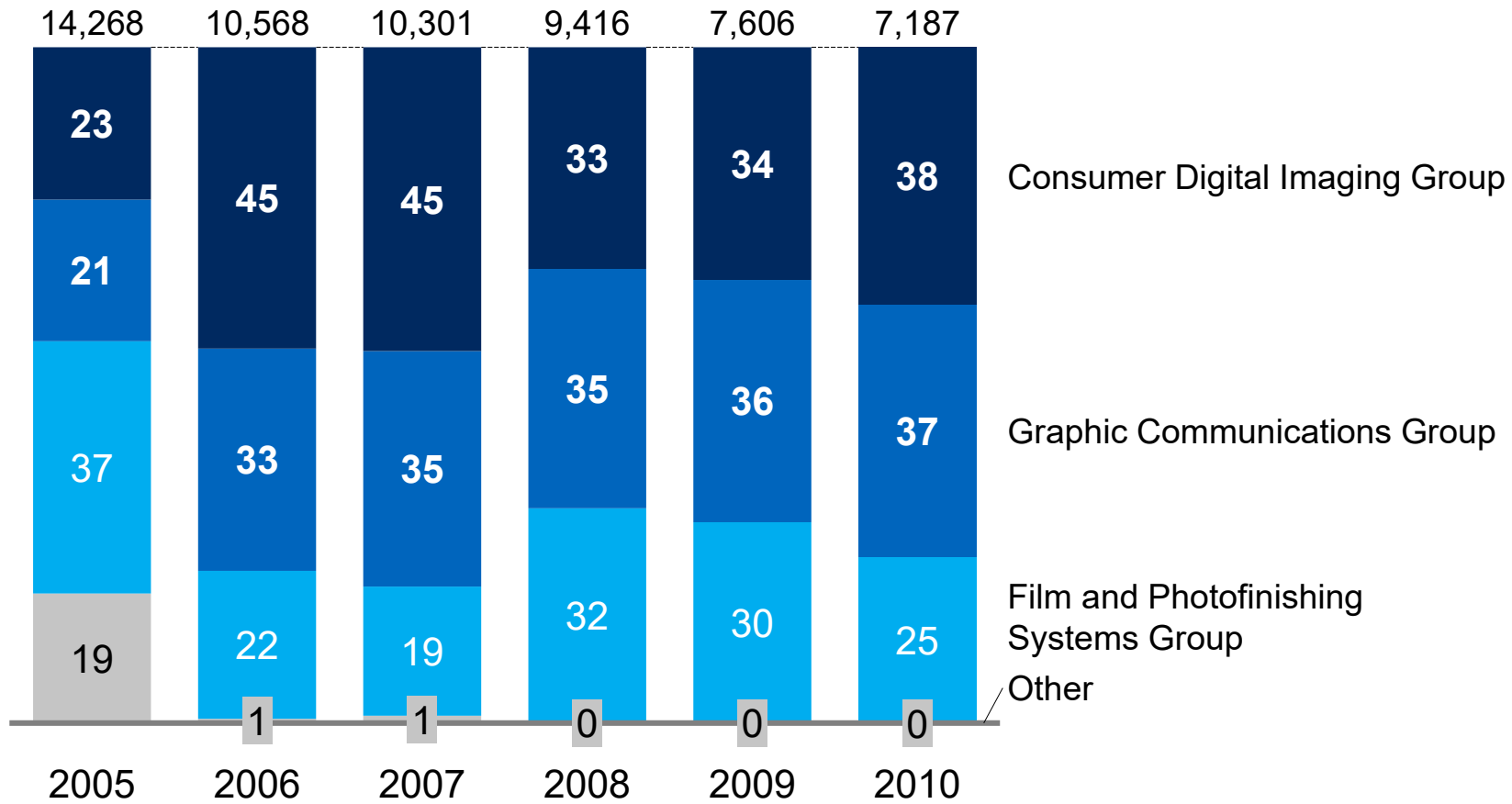
Retail sales



Kodak's film & photofinishing business has seen a steady decline leading to its closure in 2012

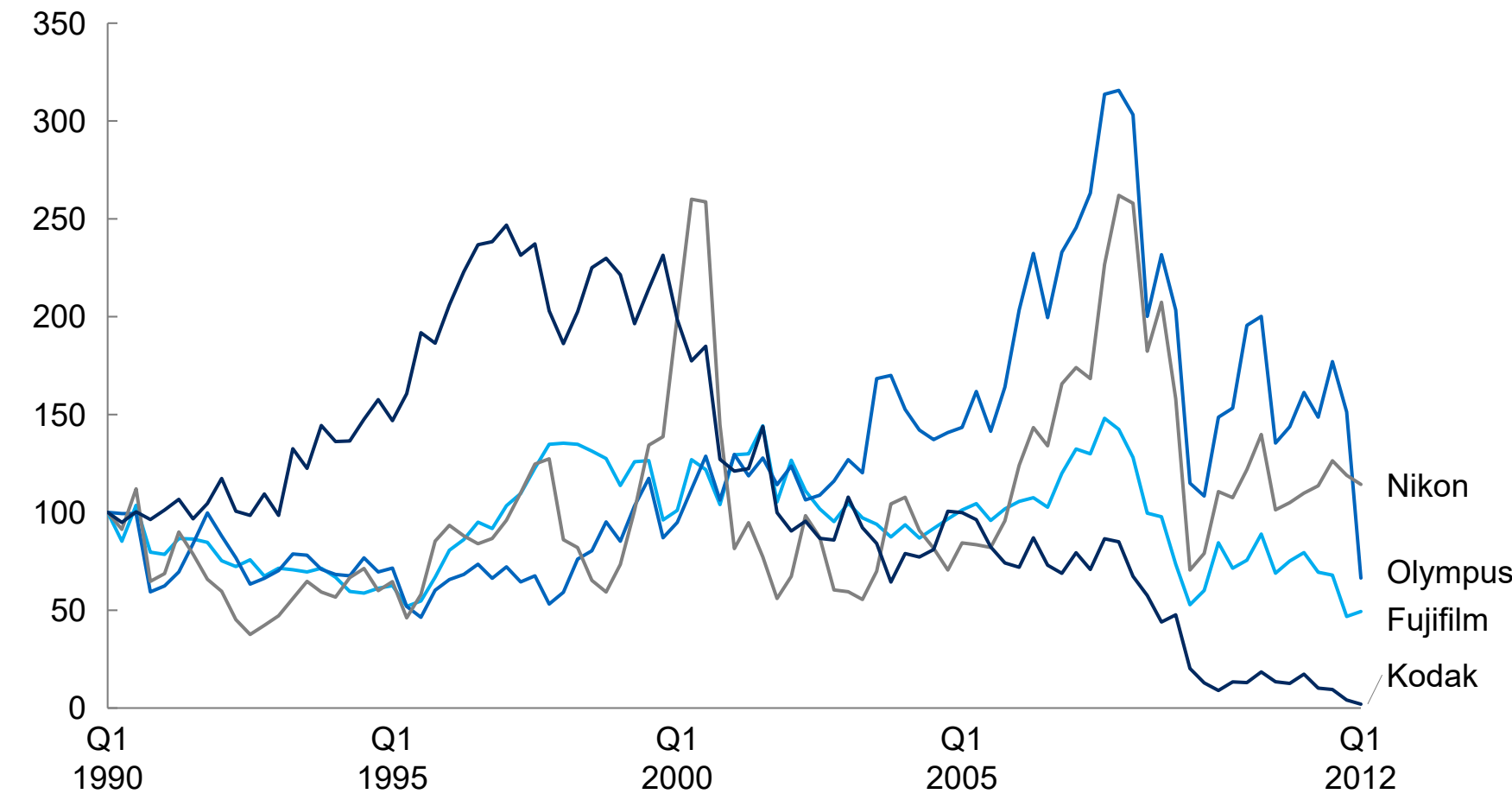
Revenue by segment

%



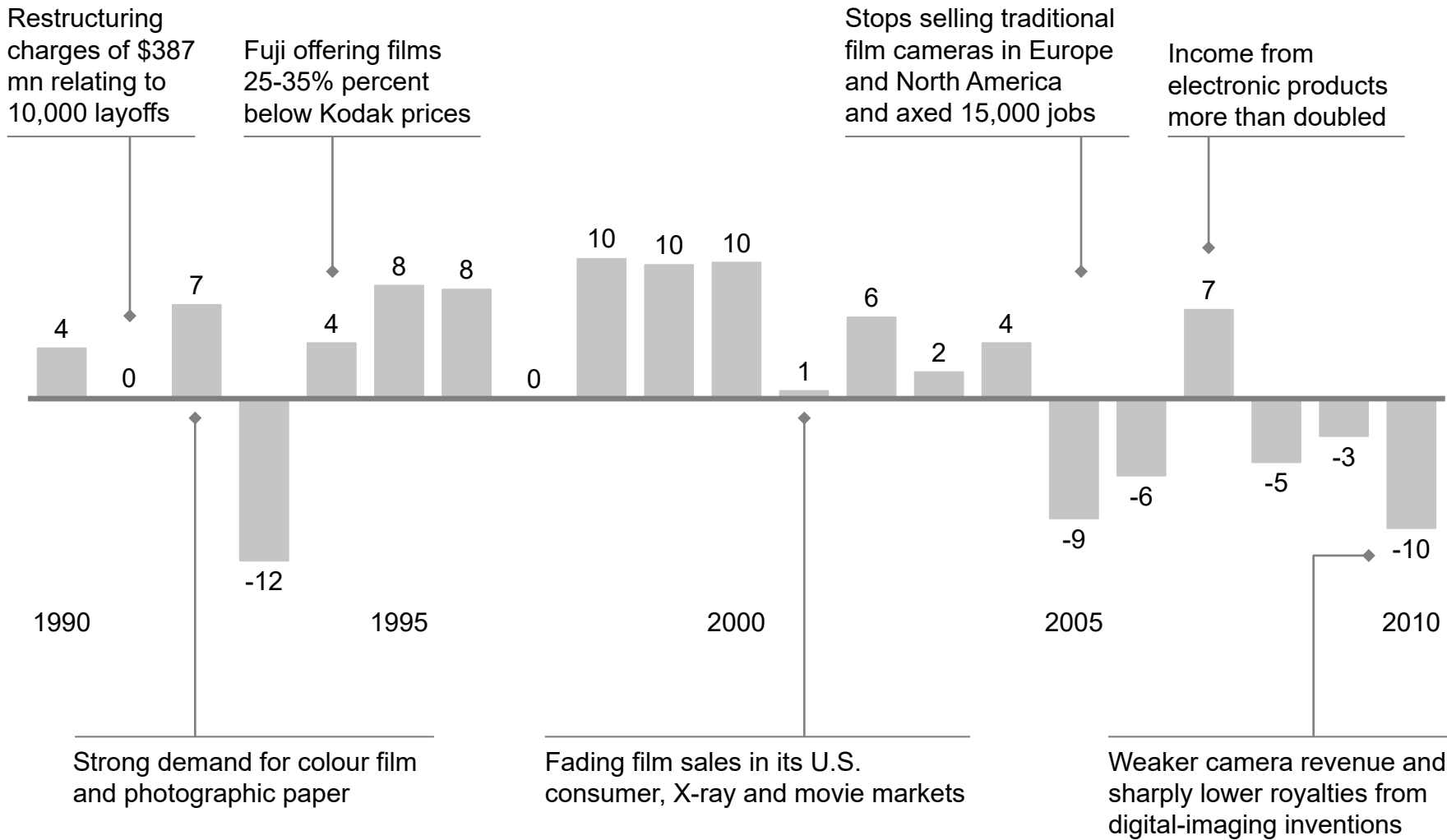
The share prices have also fallen the most amongst its peers

Rebased share price, Q1 1980=100



Net income margins have largely suffered post 2005

Net income margin, %



Media and analysts cite various reasons for the fall

"Kodak, it turns out, should have spent more, hoarded more, diversified and specialized. And then invented the social network"

-Financial Times

"While big companies are often good at fostering "sustaining" innovations – ones that enhance their positions in established markets – they are generally hopeless at dealing with innovations that completely disrupt those markets."

-The Guardian

"They were too late to their game in the shift to digital and they have been playing catch-up since then"

-S&P

"Kodak's problem wasn't blindness. Rather it was that film was a fatally attractive cash cow. That cash paid for Kodak's forays into digital, but the result was that Kodak's digital cameras never learned to run on their own two feet. Trust-fund babies seldom do"

-Wall Street Journal

"The strategic mistake was not ignoring change but trying new things with familiar capabilities at the exact moment Kodak needed to be hungrier to do truly new, unfamiliar things"

-Larry Keeley of Monitor Group

"For at least the year, we've seen overly exuberant statements come out, things like- by 2012 Kodak will be a profitable and sustainable company. We know that's not going to happen"

-Brighton Securities

"Kodak didn't know how to respond or how to respond in time. It failed to adapt. That should be laid at the feet of its management and their poor decisions"

-Forbes

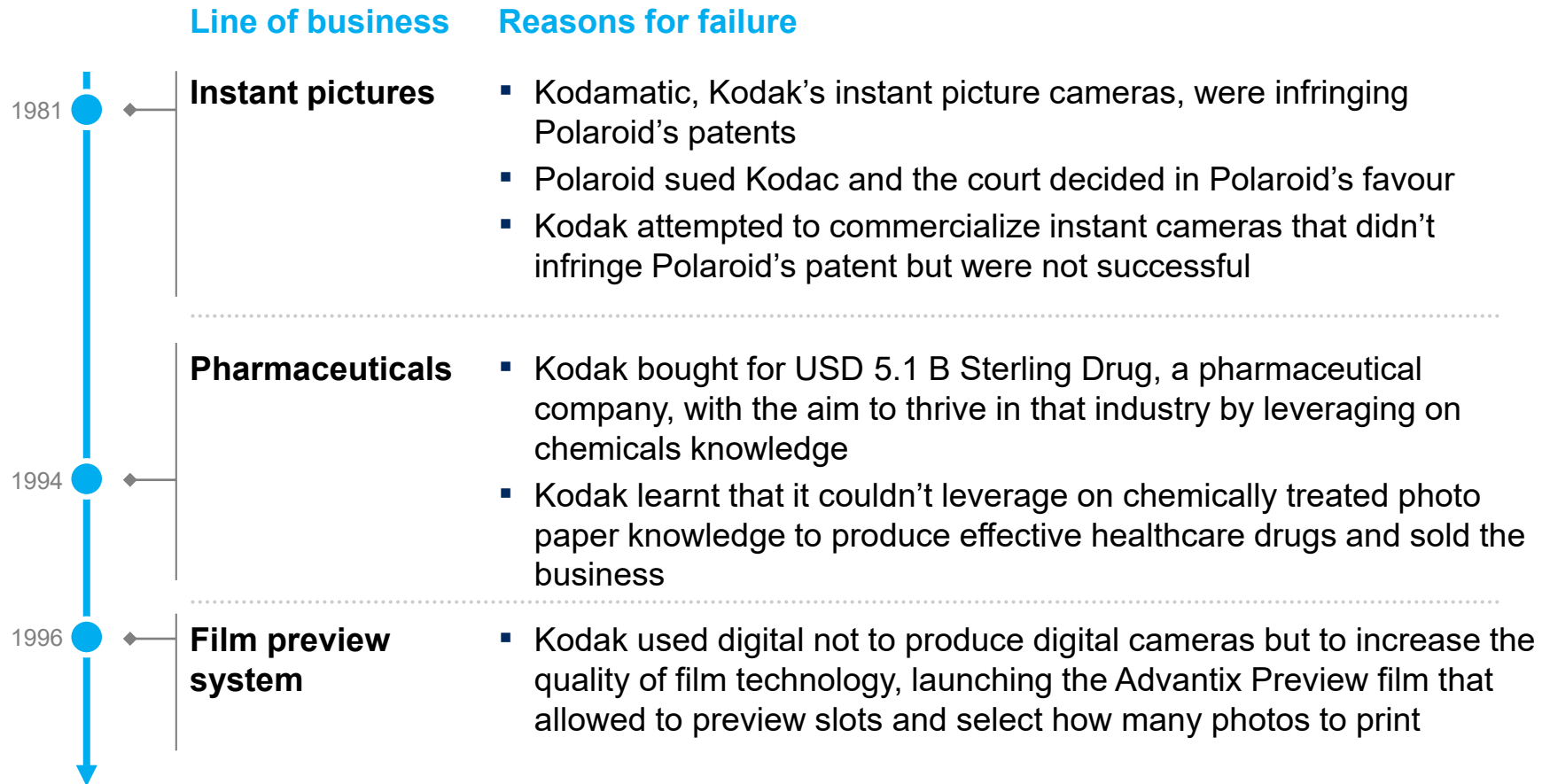
"The printer initiative took over (in the last decade), and they took their eye off the ball in the camera and camcorder space"

-IDC

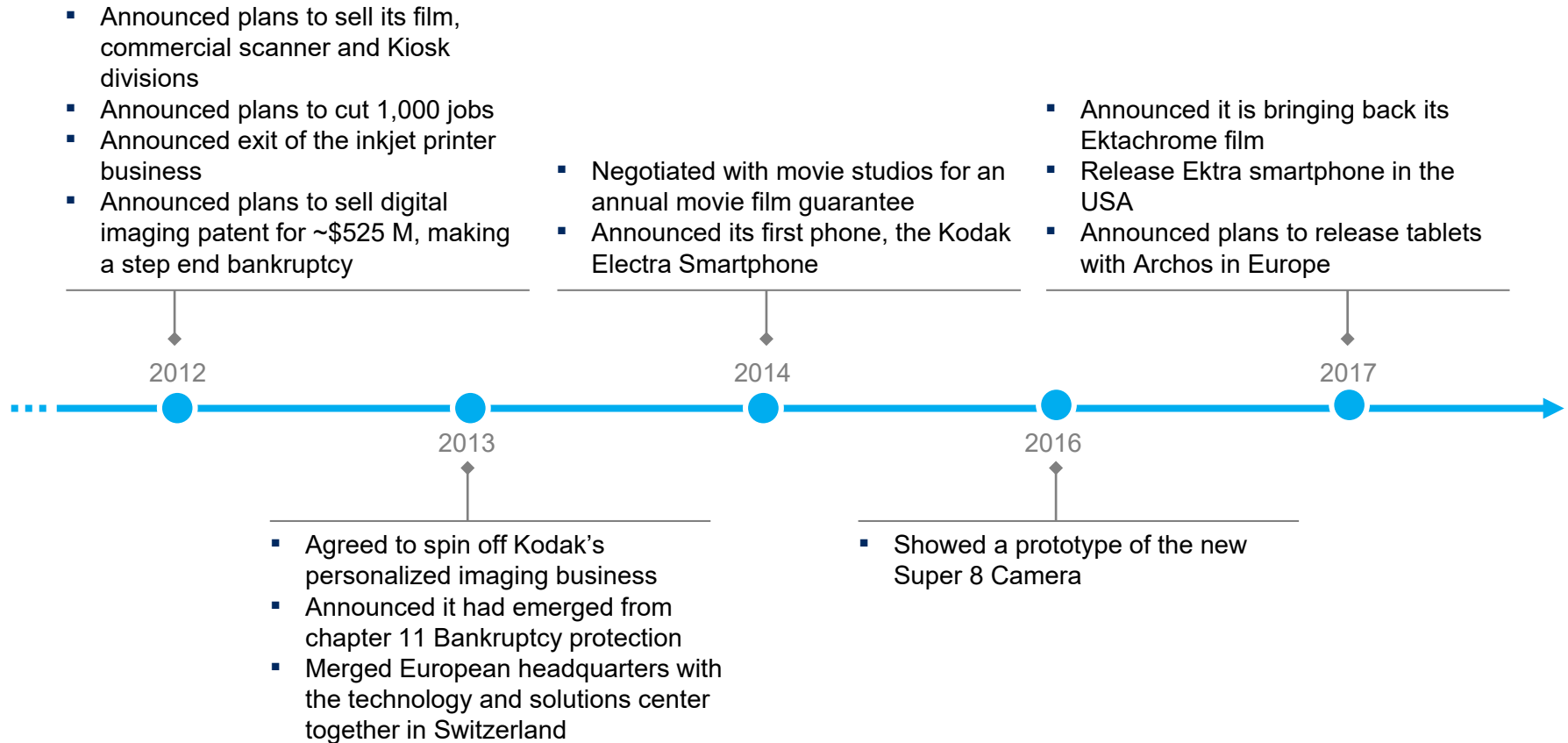
"The inevitable bankruptcy portrays one of the worst cases of the company's failure to restore annual profitability since 2007 and arrest cash drain"

-Zacks Equity Research

Kodak has made many unsuccessful moves throughout the last years



Kodak has still remained in the market from 2012 until now



Questions to discuss



- 1. Provide an example of a successful transformation taken by another company and identify key success factors.
- 2. What could Kodak have done to prevent sales from declining from the 90's onwards? Provide specific examples.

