

Business Failures Paper

Ethan Heeter

CPD/CYSE 494

9/23/2024

Kodak is a company that the majority of Americans probably remember, be it for their revolutionary advances in photography or famously their disposable cameras that many people have fond memories of. Kodak is a company that has been around for a very long time, with the year of its founding being 1892, and throughout that time the company has seen periods of massive success and crushing failure. Being the company that popularized and supplied the most camera film, with Kodak being the sole supplier of camera film to the emerging motion picture agency, Kodak saw huge success due to their smart business practices and technological innovations. This success would only continue to grow following the end of World War 2, with Kodak making many government contracts with the United States, and even being the supplier for the cameras that would be used by NASA on their missions into space. Unfortunately it was the decline of film and advent of digital cameras and later smartphones combined with the companies failure to adapt that ultimately led to Kodak declaring bankruptcy in 2012.

The story of Kodak starts off with innovations and successes that any entrepreneur dreams of achieving . Kodak was first formed in 1881, though at the time it was named the Eastman Dry Plate Company, as a partnership between two entrepreneurs, George Eastman and Henry A. Strong. The two businessmen would initially start by selling camera dry plates, the predecessor to camera film, however George Eastman would soon go on to create a new innovation that completely revolutionized the photography industry, replacing dry plates, camera film. The advent of camera film made photography both more convenient and more accessible to the public, and combined with the company's first camera release, apply named the Kodak Camera, in 1888, amateur photography was born and became incredibly popular. The success of this camera and the advent of camera film is perhaps the most important innovation in the photography world, and that success would go on to influence the company into renaming itself to Eastman Kodak in 1892, more commonly known simply as Kodak.

At this point in the history of Kodak, an incredibly important decision was made by the company. Eastman decided that the best way to capitalize on the new innovations of camera film and the advent of amateur photography was to focus on maximizing the profits of selling the film itself, not the cameras. The business model was simple, yet incredibly effective. The customer with a Kodak camera takes photos using the camera film, and then they can either send the film to Kodak to be processed, where they would then get the processed photos and another roll of film for a price, or they could develop the photos themselves and only buy new film. Kodak of course preferred their customers to send them the film for processing as it resulted in substantially more profit than if customers just bought new film, so they came up with the popular slogan "You press the button, we do the rest" to accentuate this option. This was the correct move as the returns on film were absolutely massive, which combined with the fact that film was constantly needing to be processed and replaced meant that demand for film, and thus profits, over time would be higher and more consistent than profits from selling the cameras themselves.

Kodak continued to do their best to make photography as accessible and popular as possible, to massive success. According to The Independent Photographer, they created the first camera small enough to fit in your pocket in 1897, and by the year 1900, created a camera so easy to use, the brownie, that it was the origin of the word snapshot. According to Kodak themselves, it was the creation of film that also allowed for Thomas Edison to make the original motion picture camera. Kodak continued to supply and innovate on film for motion pictures, and for this among other technological innovations that affected the film industry, it has earned nine Oscars, which is more than any other non-studio company. The company also helped out the United States during World War One, developing aerial cameras as well as supplying the country with important chemicals used in the creation of war supplies. Their cameras were also used by soldiers to take photos of the war itself, with Kodak even designing cameras perfect for

soldiers of the war to use despite such a thing being illegal, in fact many of the photos taken during the first world war were taken by Kodak cameras (Jenkins, 2019).

This assistance of the war effort was also seen in World War Two, where Kodak would supply the military with cameras and film specifically for their use in war, also producing explosives as they did have the chemical components needed to do so. In a post World War Two world, Kodak continued to find massive successes. The amateur photography industry was still dominated by the company, with the sale and development of film still earning Kodak a massive profit alongside the sale of the cameras themselves. Kodak also famously was contracted by NASA to develop the cameras that would be used during their missions into space, something that indicated just how above the competition they were at the time. However, this time of unrivaled success and absolute dominance over their competitors was soon to come to an end.

Fujifilm, a Japanese photography company, was founded in 1934 and began to produce similar products as Kodak. Fujifilm enjoyed a similar level of success in the Japanese market as Kodak did in the American market, both controlling the majority of their respective nations market share. The two companies came into competition when Fujifilm started breaking into the American market in 1988, establishing their first factory on American soil. This alongside Fujifilm's success in taking some of the American market share from Kodak led to Kodak to launch a petition to the US Commerce Department in 1995, claiming that Kodak's failure in the Japanese market was due to Fujifilm use of unfair business practices. This petition was soon dropped however, as Kodak's complaints were found to be illegitimate by the World Trade Organization. Fujifilm would continue to be a massive competitor with Kodak, continuing on to this day.

It was soon that a new form of photography would come into the forefront of the industry, forever changing the way that photography was done and altering Kodak's long held business model. The very first digital camera was invented in 1976 by Steven Sasson, who was ironically

a worker for Kodak. This first digital camera was massive and extremely heavy, but as time went on the move to a more advanced, smaller and lighter digital camera progressed. The first digital camera to see widespread release for purchase to the public was the Dycam Model 1, which released in 1990 to very limited success due to its expensive price tag and rather limited functionality. Despite the poor performance of the Dycam Model 1, the advent of digital photography had begun, and with it the eventual decline of film photography that Kodak had been so reliant on for their business model.

Kodak ever since their founding relied not on the sale of cameras, but rather on the sale and the development of the film the cameras needed to take the pictures. As digital cameras had no need of film, and digital cameras continued to become more advanced, practical and popular, that business model quickly became obsolete, and so Kodak for the first time would have to pivot to a new business model. Kodak started to develop digital cameras themselves, and for a time would sell more cameras than any other company, but that also would not last. According to The Independent Photographer, the companies failure to rapidly shift to digital cameras would lead to companies like Nikon and Canon overtaking Kodak in digital camera sales, and by 2010 they had fallen to seventh place in sales. This lack of sales combined with increasing competition and the complete loss of revenue from film, which was no longer needed, led to Kodak failing as a business, ultimately filing for bankruptcy in 2012.

The lesson that can be learned from the rise and fall of Kodak is the importance of being able to adapt to a changing market, and the importance of recognizing and acting on such changes. Kodak failed to adapt itself to a world where photography has become a mostly digital medium, and because of that the company lost its dominance in the industry and is now a shell of its former self. If the company had realized where the market was going and actually made the changes needed to adapt to the changing market they actually would have been in a great spot. The worst part of this failure is Kodak was also aware of how impactful digital photography was going to be well ahead of time, making an accurate that they had 10 years before it really

took off, but as Chunka Mui stated in her Forbes article, “The problem is that, during its 10-year window of opportunity, Kodak did little to prepare for the later disruption”. They could have leveraged their dominant position to maintain their success, especially as they were the ones to first invent the digital camera, but instead their hesitation to move away from film was what cost them everything, and this blunder serves as an excellent example as to why adaptability and willingness to change to suite the market is so important in business.

Citations:

Clay, — by Edward. (2023). A brief history of Kodak. Retrieved from
<https://independent-photo.com/news/historic-brands-kodak/>

Kodak. (2022). History. Retrieved from <https://www.kodak.com/en/company/page/history/>

Jenkins, O. (2019). “shooting” The great war: Kodak cameras and the First World War.
Retrieved from
<https://kodakcanada.omeka.net/exhibits/show/kodak-canada--the-early-years/shooting-the-great-war--kodak->

Mui, C. (2024). How Kodak failed. Retrieved from
<https://www.forbes.com/sites/chunkamui/2012/01/18/how-kodak-failed/>