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The Demise of Kodak: Five Reasons

ByKamal Munir

Kodak's declaration of bankruptcy earlier this month closed a glorious chapter in the history of photography.

With the introduction of the first automatic snapshot camera more than 110 years ago, Kodak transformed photography from an alchemy-like activity dominated by professionals into a hugely popular—even obligatory—one that became an integral part of people's lives.

To get an idea of how instrumental Kodak was in shaping photography, just think about life before Kodak.

There was no "Kodak moment".

Photography was mostly confined to professionals who took formal portraits in studios. Kodak got photography out of studios and into family life. Understanding how it did this is vital to grasping the reasons for its failure.



REUTERS/Stefan Wermuth

A Kodak film dispenser in a photo store in London.

The availability of the technology was not enough to establish the practise of popular photography. Ideas about what should be photographed, when and by whom also had to be constructed.

Kodak played an important role in this, with high-profile advertising campaigns aimed at establishing the need to preserve significant occasions such as family events and vacations. These were labeled Kodak moments, a concept that became entrenched in everyday life.

The family member who captured these Kodak moments was, usually, the wife. This, once again, was

Kodak's doing.

For the first half of the 20th century, Kodak brought out ads featuring the "Kodak girl", who symbolized the modern, adventurous female. However, in keeping with normative expectations of the time, she was not only modern and fashionable, but also a responsible wife and mother.

Kodak's ad campaigns emphasized how—if women were to appear as responsible and caring wives and mothers—they were morally obliged to keep a meticulous record of their family's history. They could do this by preserving those Kodak moments.

As a result of Kodak's efforts, women went on to become the most lucrative market segment for photography. It was that loyal contingent of "soccer moms" that funded Kodak's inexorable rise: they took more pictures than everyone else, printed them, shared them at coffee mornings, saved them in albums and displayed them in the living room.

Thus, when digital technology arrived in the photographic industry, Kodak inhabited a world that was largely its own creation.

There was no one more steeped in it than Kodak. This became obvious to me when I spent a day with Kodak's top management in their Rochester headquarters in the U.S. about 11 years ago. By the end of the day, I was convinced that this company was not going to be around much longer. A few years later, I wrote that Kodak was pursuing a fundamentally flawed strategy, and hence were throwing good money after bad. Six years later, I was sad to see my prediction come true.

Here are the top five reasons for Kodak's demise:

1. Caught in Time

Kodak's top management never fully grasped how the world around them was changing. They hung on to now obsolete assumptions about who took pictures, why and when.

Kodak always thought that people would never part with hard prints and that people valued film-based photos for their high quality. In other words, they saw digital as a direct substitute for film based photography. It was interesting to see how little this mindset had shifted even 20 years later. In the end, digital cameras came to dominate not because they offered higher quality or because everyone was able to or inclined to get a set of hard prints easily, but because they did not feel the need to.

2. Every Picture Tells a Story

With digital, a significant shift in mind-set occurred in the meanings associated with cameras. Rather than being identified as a piece of purely photographic equipment, digital cameras came to be seen as electronic gadgets.

The implications of this shift were enormous.

With digital devices, newcomers such as Sony were able to bypass one of Kodak's massive strengths: its distribution network. Instead, digital cameras became available in electronic retail outlets next to other gadgets. Kodak was now playing on Sony's and other entrants' turf rather than its own. Similarly, Kodak's brand came to be associated with traditional photography rather than digital.

3. Back to the Future

“Digital” disrupted Kodak’s neat equilibrium in yet another important way; women were no longer the main customers, men were.

With women giving way to men as primary users of cameras, Kodak—which excelled at marketing to women—lost its footing. With digital cameras, images could be viewed on the camera, phone or a PC without any need for hard prints.

For Kodak, the severing of the link between taking photographs and hardcopy prints was a serious concern. While men took lots of pictures, their role had never been that of family archivists (a role reserved for women). Hence they tended to take pictures that industry insiders called “transient”.

Kodak was in uncharted territory and rather than accepting it as the new reality, it kept trying to recreate the photography universe of yesteryear, one based around sentimental images taken by women at family reunions and vacations.

4. The Camera Never Lies

Even when the writing was very much on the wall, Kodak’s attempts were at best half-hearted.

Unwilling to let go of the extremely lucrative (gross margins of nearly 70%) film business, it tried for many years to prolong the life of film through smaller cameras and digitally coded film and hybrid technologies such as Photo CD.

Its digital imaging division, locked up in its headquarters in Rochester, always appeared to be under pressure to create synergies between film and digital. But doing digital from Rochester was always going to be a challenge. The best example is Kodakgallery.com, Kodak’s attempt to generate revenue from digital images. The site was essentially a digital version of its analogue offerings. Digital’s potential was never fully realized at Kodak.

5. Over-Exposed

Kodak did not realize its own limitations, and consequently its strategy for revival never had much of a chance.

As articulated by the current chairman and CEO, Antonio Perez, it was: “To make Kodak do for photos what Apple does for music: help people to organize and manage their personal library of images. In an ideal world, consumers of the future will snap pictures on Kodak’s cameras, save them on its memory cards, put them on paper through its printers, and edit them on in-store digital kiosks.”

Trying to engulf the consumer in the Kodak universe was always unrealistic. Whereas a company like Apple could probably do it with its design and plug-and-play capabilities, Kodak could not and it died trying.

Lessons Learned

Kodak followed a template used by many incumbents facing technological challenges to their hegemony.

First, they try to ignore the new technology hoping it would go away by itself.

Then they deride it using various justifications (too expensive, too slow, too complicated etc). After that, they try to prolong the life of the existing technology by attempting to create synergies between the new technology and the old (like Photo CD). In doing so, they keep delaying any serious commitment to the new order of things.

The truth is that when it was dabbling in digital versions of its analogue products, Kodak should have also invested in several start-ups based in Silicon Valley.

These Valley-based companies would not have been encumbered by Kodak's legacy assets, its emotional attachment to the brand, and its product-based mentality. Led by twenty-somethings on shoestring budgets these start ups would have been led by people who get digital. They would not have been hung up about brands, or current revenue sources. They would have been perfectly comfortable with the high mortality rate of digital business models. They would also have been at ease with empowering users and living with the unpredictability that it ushers in.

Finally, they would not have lived in a "photographic universe", unlike the people in Rochester, and would have been much more willing to allow a convergence between pictures and activities such as social networking or gaming.

In short, Kodak needed to let the new generation of users and entrepreneurs take charge. It should have embraced uncertainty and be prepared to be driven in unforeseen directions—a far cry from how the company had spent its life.

The challenges Kodak faced were not unique.

The important things were to avoid the attachment and weight of legacy assets onto new ventures; refrain from prolonging the life of existing product lines while trying to create false synergies between the old and the new; and, most of all, to base strategy around users, rather than the existing business model.

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