

Company of the Month: Kodak

'Learning from success'

Early business principles

What can we learn from looking at the histories of successful companies? In the case of Kodak (more correctly Eastman Kodak) we can see the value of formulating good business principles from the very beginning. Care for the customer and for employees is not a 'luxury' to be adopted when the company can afford it. These principles are fundamental to the growth and success of the business and need to be established at the beginning.



The story of Eastman Kodak also tells us something about how companies need to react to new technologies. The history of business is littered with stories of companies which have crumbled and failed through changes in technology or in markets. The story of Eastman Kodak is a story in which technological change is not seen as a threat, it is embraced and welcomed because it offers new opportunities.

Today, Eastman Kodak ranks as a premier multinational corporation and one of the 25 largest companies in the United States.

Early beginnings



In 1879, London was the centre of the photographic and business world. Photography had started in France with Nicéphore Niépce's first photograph from nature in 1826.

These ideas were soon taken up by Daguerre with the patenting of the Daguerrotype system of photographs on metal plates. In Britain, Henry Fox Talbot developed a system of producing photographs on glass plates which could then be printed on paper. In 1844, the first photographically illustrated book 'The Pencil of Nature' by Henry Fox Talbot was published by Longman in London. Lewis Carol, the author of Alice in Wonderland was an early photographer.

In 1879, George Eastman travelled to London to patent a machine for making glass photographic plates. Two years later, with a business partner, Henry A Strong, he formed the Eastman Dry Plate Company. In 1883 Eastman startled the photographic world with the first 'rolls' of film. In 1888, he launched the first 'Kodak' camera which was pre-loaded with enough 'film' for 100 exposures.

Today, we think of the 'disposable camera' as being a modern invention, yet the first Kodak was launched with the slogan 'You press the button, we do the rest.' The Kodak camera cost \$25. When the customer had used the 100 exposures, the whole camera was returned to the company where prints were made and a new film inserted in the camera. The 100 prints and newly preloaded camera were returned to the customer for the price of just \$10!

Eastman had four basic principles for business:

- mass production at low cost
- international distribution
- extensive advertising
- a focus on the customer.



Eastman saw these four principles as being closely related. Mass production could not be justified without international distribution, which, in turn, needed the support of strong advertising. From the beginning, he gave the company the belief that fulfilling the customers' needs and desires is the only road to corporate success.

- Eastman added further policies to these business principles:
- foster growth and development through continuing research
- treat employees in a fair and self-respecting way
- reinvest profits to build and extend the business.

By 1896, thirteen years after its launch, the 100,000th Kodak camera was produced, a success which speaks volumes for the power of good advertising when it is supported by a good product and customer service. In 1891, Eastman set up his first overseas factory and distribution centre in Harrow, England ñ just outside London. In 1900, Eastman had factories and distribution centres in France, Germany, Italy and other European countries. A factory in Japan was under consideration. In the same year, Eastman introduced the first 'Brownie' camera at a price of just one dollar!

Eastman Kodak was largely responsible for popularising the 'hobby' of photography and putting this technology into the hands of ordinary people.

Colour And Moving Pictures

Eastman had collaborated with Thomas Edison on the development of film, cameras and projectors for moving films. In 1923, Eastman made a simple clockwork-powered movie. In 1935 Kodachrome was launched as the first successful colour film for amateurs to make colour slides and 16mm movie films. In 1942, Kodacolor, the first true colour negative film (for making prints) was introduced.

Embracing Change

Traditional photography is based on the science of exposing light-sensitive silver halide salts to light. This basic chemistry remained the only way of producing images for many years. But new technologies started to challenge this basic industry.

The first was video, so Kodak started to produce and market video cassettes in 1984 in 8mm, Betamax and VHS formats. In the same year, they broke into another market which would become an even greater threat. They announced a full range of flexible floppy disks for personal computers.

The Digital Challenge

Today, many of us do not use traditional photographic cameras. We take pictures and video with digital cameras which do not require film or processing. We can print these pictures at home (and get remarkably good quality) and exchange pictures and moving images through the Internet and email attachments.

Kodak recognised and embraced this technological challenge as early as the mid-1970s. In 1985 they produced their first electronic publishing system. Since then, while the traditional photography business has remained strong, Kodak's research and development have produced still video cameras, digital printers, digital still and movie cameras and the Photo CD.

Kodak's 1999 annual report carried two cover slogans ñ 'Take Pictures Further' and 'You Press the Button. We Do the Rest', combining their current and original marketing messages. As the report said, 'The two statements were composed a century apart, but, taken together, they perfectly sum up Kodak's core philosophy: The promise of innovation. And the guarantee of simplicity.'