KODAK VS FUJIFILM:
A DISSECTION OF THE TRUTH BEHIND THEIR SUCCESS AND FAILURE

ADAPTING YOUR PURPOSE TO THE CHANGING EXTERNAL ENVIRONMENT TO BE SUSTAINABLE AND RELEVANT

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When PepsiCo began to shift its strategic efforts towards offering healthier food and beverages, there were concerns from external parties that this move could possibly bring the company down, as it was shifting away from a well-loved 50-year brand identity.

The Golden Circle Theory

A report by Market Realist showed that in the fiscal year of 2014, its healthier products made up 20% of the revenue. In fact, in the third quarter of 2015, the company’s North America Beverage division saw a 10% increase in still beverage sales volume, despite a 2% decline in carbonated sales drink volume.

This example thus validates the need for organisations to adapt their purpose accordingly with the changes in their external environment. What’s ironic to note is that businesses that were highly successful and aware of the fact that they had to adapt, failed to do so.

The Golden Circle Theory

If you’re familiar with trained ethnographer and leadership and management expert, Simon Sinek, and his Golden Circle theory, you would know that organisations have to be clear on their purpose (why they do what they do), before cascading down that purpose to their systems, structure and processes (how they do it), and their products and services (what they provide). See Figure 1. Thus, when an organisation’s purpose is changed, its “how” and “what” will have to change as well. While many may think twice before going down a path of change due to the high investments and painful changes involved, this ought to be practiced among business leaders in order to remain relevant in their respective industries. Or they will risk losing out to competitors or the next great wave. Let’s take a look at two companies from the same industry to better understand why some companies fail and some succeed at doing this.

Kodak

Who can forget the ever so popular yellow Kodak filmisters or the “Kodak moment” ads which told us to capture the moments in our lives? The Eastman Kodak Company had a strong foothold in the American photographic industry by selling affordable cameras, and other accompanying products such as their huge variety of amateu-ur and professional films, chemicals and paper. In fact, according to a report by the Baltimore Sun, Kodak went on to become the “world’s biggest producer of film for still and motion picture cameras.”

However, when digital photography and imaging entered the market, Kodak saw a massive decline, and ended up filing for bankruptcy at the beginning of 2012.

Why did this happen?

One of the core reasons for this lies in the failure of Kodak to adapt its purpose according to changes in its external environment — the digital revolution. Because of the lack of adaptability, Kodak failed to stay relevant in the market and lost the battle to its Japanese counterpart, Fujifilm.

According to one of the firm’s former senior executives, “Kodak’s monopoly was the problem... it always believed it had a God-given right to 100% of the market... it never bothered to look over its shoulder at what was coming up behind from.”

However, Kodak was the first company to create the world’s first digital camera in 1975, and its cameras were, in fact, better than Canon’s or Sony’s in the 90s. This shows that the company does have the ability to innovate and create a new need.

However, as technology advanced with time, the company failed to see the need to adapt to employees’ expertise and product design to suit the new external knowledge and the changed market needs.

Even as the company attempted to diversify its product line through acquisitions and partnerships, they did not have the relevant expertise to manage their new businesses.

And that was why their business model failed them.

Fujifilm

While Kodak was dominating the photography and film market in the United States, Fujifilm was doing the same in Japan.

Fujifilm was aware of the shifting market trend in photography from film to digital and similarly to Kodak, it opted to retain its existing business model, with the additional investments going into new technology and diversification into new businesses. According to an article in The Economist, in a span of a decade, Fujifilm’s profits for film dropped from 60% to zilch.

In an interview with Digital Imaging Reporter, Manny Almeda, president of imaging division and general manager of optical devices division, Fujifilm North America said... “while the print market shifted, and the film market continued to dissolve, we had to refine who we were, and how we were going to be successful as the market changed around us.”

Fujifilm recognised the changing photo printing business and when it came across American firm Fuji Xerox, that was in need of help, Fuji saw an opportunity to form a joint venture.

According to Almeda, “... Some people want prints, some want books, enlargements, T-shirts or posters. We need to deliver these to customers in a way that’s easy for them.”

FujiFilm managed to do this with Fuji Xerox’s products such as the Xerox Phaser® 6270 printer which enabled retailers to produce the aforementioned items.

But the company knew it couldn’t merely rely on photo printing and low-end digital cameras to sustain the business.

It saw an opportunity with a new market — pros and advanced amateurs—that was the lookout for high-performance cameras similar to DSLRs which suited its work, according to Almeda. And Fujifilm did more than just that, by focusing on developing cameras with a remarkable image quality feature.

These are merely a few of the tactics undertaken by Fujifilm in its efforts to refocus its strategies to fit the shifting market needs.

According to chairman and CEO of Fujifilm, Shigetaka Komori, the company’s long-term vision may have led to lower short-term profits, but the large investments proved to be worth it in the end.

PARTING THOUGHTS

What Fujifilm succeeded in doing, that Kodak did not, was its execution. Fujifilm’s efforts to sustain its film business at the beginning, the investments later on in digital technologies and technical upskilling and business diversifications, would not have been well executed if not for a strong management with a clear vision/purpose.

Fujifilm and PepsiCo are clear examples of how well-established brands can continue to sustain their business by adapting their purpose, and translating that into well-executed strategies, and technical upskilling and business diversifications, which would not have been well executed if not for a strong management with a clear vision/purpose.

According to chairman and chief executive officer (CEO), Indra Nooyi, PepsiCo began diversifying its products and positioned itself in the world, well-known for offering delicious, affordable and convenient junk food and beverages, via its 370,000 retailers to produce the aforementioned items.

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