

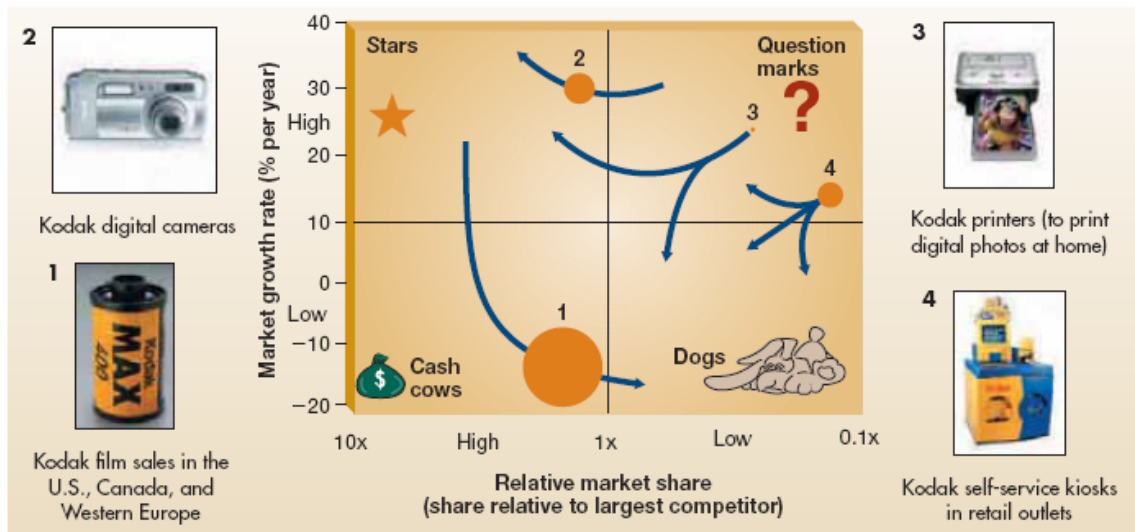
Kodak's Business Portfolio Analysis

More than a century ago, Kodak virtually invented the photography industry. Nicknamed "Big Yellow" for its film packages, until about 2000 Kodak relied not on its cameras for the bulk of its revenues and profits but on its film for the billions of photographs taken every year. Two factors changed that: (1) more competition from film manufacturers like Fuji and (2) the popularization of digital cameras that need no conventional film.

So in late 2003, Kodak's CEO Daniel Karp announced a shift in Kodak's strategic priorities from film to digital technology. Experts, both supporters and critics, have weighed in with their opinions of the new priorities.

One thing, however, is eminently clear. The success of Kodak's strategy and its product lines shown in figure below depends on how millions of consumers like you take pictures and convert your pictures into useful images over the next decade.

Boston Consulting Group
portfolio analysis for Kodak,
as it might appear in 2004



Here is a snapshot of the sales opportunities of the four Kodak's product lines:

1. *Kodak film sales in the United States, Canada, and Western Europe.* An \$8 billion per year "cash cow" in 2003, Kodak film sales are still its biggest single source of revenue. In its "death throes," Kodak film sales are expected to decline 10 to 12 percent per year through 2006. Sales will not be helped by the 2004 announcement that Kodak will soon stop selling film cameras in these countries.
2. *Kodak digital cameras.* A \$1 billion business in 2003, Kodak's "filmless imaging market" is expected to grow from 30 percent of its 2003 revenues to 60 percent in 2006.¹⁹ Sales of its popular line of EasyShare digital cameras grew 87 percent in 2003 over sales in 2002. Kodak clearly expects its digital cameras to be a "star" soon. The challenge: It is #2 in market share behind Sony in the

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United States with new rivals emerging, like Nokia's cell phones with digital cameras.

3. *Kodak printers (to print digital photos at home)*. With 82 percent of digital prints made this way in 2003, this might look like a clear BCG star with Kodak's expected new line of home printers. But industry analysts expect this in-home segment to decline substantially because of the hassle. And with Kodak competing with established printer manufacturers like Hewlett-Packard and Canon, the future of this "question mark" could range from being a "dog" to a "star."
4. *Kodak self-service kiosks in retail outlets*. With only about 1 percent of the market in printed pictures in 2003, these self-service machines used to take up to four minutes to make an 8 _ 10 photo. But in early 2004 Kodak announced a self-service kiosk that can convert a roll of 35 mm. film into prints in only seven minutes. As shown in Figure above, an innovative technology (the kiosks) for a slowly dying product (the film) faces big unknowns, also because Japanese copiers are well entrenched in these outlets.

Companies can learn from this example, and use "Business Portfolio Analysis" to identify and design business strategies. The primary strength of business portfolio analysis lies in forcing a firm to place each of its SBUs in the growth-share matrix, which in turn suggests which SBUs will be cash producers and cash users in the future. Weaknesses are that it is often difficult (1) to get the needed information and (2) to incorporate competitive information into business portfolio analysis.

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