



Death of an Icon

an industry op-ed by Steve Wright



I was saddened by Kodak's announcement in January that they had to file for chapter 11 bankruptcy protection. Not only is Kodak an icon of the movie industry that I love, but I personally have fond memories of eight years (1997-2005) doing visual effects for Kodak's Hollywood Cinesite operation. I was there to witness Kodak's schizophrenia as it flirted with embracing the digital age, yet unable to let go of the chemical film business. Seen from the inside, the reasons for the fall are easy to understand.

The story is beautifully encapsulated by the words of a Kodak film engineer that I was assisting with the development of the SFX200 film stock. It was a specially formulated film stock for visual effects that was fine grained and reduced the "red spread" for bluescreen shots. I was doing the digital testing of the new film for Kodak using the Cineon compositing program. Referring to the enormous profits Kodak made from selling film, he said "If we wore masks we would be thieves!"

That, in a curt little nutshell, explains Kodak's dilemma. They made so much money on film that they were mesmerized by that business model. No digital business offered anywhere near the profit margins or commanding market dominance that they were used to from the film business. In a word, they were spoiled.

There was a second factor adding to Kodak's schizophrenia, and that was the fear of putting themselves out of the film business if they embraced the digital technology. If they didn't embrace it they would put the entire company out of business. They didn't, so they did.

Kodak is not actually totally out of business yet. Their current liabilities exceed their assets by \$1.65 billion so they sought the protection of the NY bankruptcy court. Desperate for cash, Kodak is now selling off their 1,100 Intellectual Properties (IPs) and patents, the company jewels they spent billions to develop over the last century. They are also filing lawsuits against companies like Apple, Fujifilm, LG of South Korea and others for patent infringement to protect the value of those patents.

There was a strange third component to Kodak's demise. After brilliant technology innovations that reshaped the world of filmmaking, they were utterly unable to turn them into a business. I can actually cite five examples. The first example was the revolutionary Cineon compositing software that produced the first truly high quality feature film visual effects. First Shake, then Nuke overtook that market.

The second example is film scanners. Kodak invented the “Genesis” film scanner that could digitize a frame of film at 4k at a blazing 7 seconds per frame. Today, film is scanned at several frames per second by others and Kodak film scanners are nowhere in sight. A third example is Kodak’s “Lightning II” film recorder. Again, out maneuvered by all others. The fourth example is the entire Digital Intermediate (DI) process. I was at Cinesite and watched “O’Brother, Where Art Thou?” become the first DI film ever produced. But Kodak could not master the *business* of doing DI.

The fifth example may surprise you in that the digital cameras that have taken over the world today were actually invented by Kodak in 1975. But they could not make a business out of this brilliant innovation either. After being high on the narcotic of the insanely lucrative chemical film business for over a century the corporate culture was just too groggy to compete in the rapidly evolving digital world.

When I was at Kodak’s Cinesite in 1997 its market value was a dazzling \$31 billion and I was thrilled to be gifted with Kodak stock worth \$91 a share. Today its market value is an astonishing \$150 MILLION (yes, million!), it has been delisted from the S&P 500 as well as the Dow Jones, and its shares have tumbled to penny stock status. Kodak is even lobbying to have its name removed from the landmark Kodak Theatre in Hollywood because the contract costs \$4 million a year to keep it there. Struggling to pull their name off of a world class landmark like this to save a few bucks truly marks the death of an icon.

Steve Wright



The ignominious ending to a glorious 125 year story