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Rocky In Rochester

All's not well at photographic equipment and printer marketer **Eastman Kodak** despite a rosier picture that's being painted by chairman and ceo **Antonio Perez**. EK is taking a number of steps that it believes will help lead to stronger growth going forward. The company, which has been on a major offensive into the digital products arena, is putting increased support behind its printer business with new digital entries at a time when its consumer disposable camera and film businesses are continuing to decline. EK also last month announces it will be buying back close to 25% of its outstanding shares (some \$1 billion worth) in a bid to bolster its sagging stock price (now in the \$14 per share range). Perez, however, has yet to address key challenges facing the company.

An issue: morale. "(Perez) goes around telling you that things are wonderful, but (EK) people are just shaking their heads about (EK). They don't know what's going on. It's not a fun place to work anymore," said one EK source. Added the source, "you have a lot of people looking forward to the day when they can retire. They're merely doing their jobs versus focusing on the work that needs to get done." A lack of direction also has seeped in. "The strategies keep changing. There is a lot of drifting and no sense of purpose. And the bureaucracy is awful. You have to go through three layers of management before you can get a decision on anything. Decisions are taking longer and then everything gets second guessed," an EK source said. A sign of EK times: EK's corporate headquarters and its long-time commitment to its hometown of Rochester, N.Y. "(EK) was always the leading corporate citizen, a viable player here, but not anymore. The commitment to the greater Rochester community is gone. Even the infrastructure of the (headquarters) build-

ing needed repair for a long time. But because of all the focus on cost cutting, it now has to spend more money on repairing it than if (the building) was fixed up as (EK) went along," the source said. Added the source, "the company is saying that it's 'hip' and focusing on digital, but if you're a new employee and see the hallways now, it's like walking back into the 1970s."

EK's marketing/advertising also is adrift. "There's a lot of talking going on back and forth, but not a lot of forward movement. Different people are giving different opinions," another EK source said. EK recently changed its long-used "yellow" logo in favor of a red and white logo. "There is nothing differentiating about it. It could be any one of (EK's) competitors. It all has to do with branding, and you're not seeing any of it because no one is sure what the strategy should be. The marketing is the same old, same old because the marketing talent isn't there. Everyone keeps talking about the new technology, but you're not seeing much of it. Walk into a (retailer) **Best Buy** and you'll see (EK) printers stacked up with no real excitement around them in the store," said one EK source. Added the source, "Kodak was a brand that used to be part of the fabric of the country. It used to be about memories. Now the company is just a memory." Another EK headache: competitor **Xerox Corp.**, which has its printer/graphics division in Rochester.

As a result, Perez and EK's board is coming under fire. "You have to ask where the board is. Some (EK) people are amazed there hasn't been a shareholder revolt. The leadership at the top needs to be changed and bigger changes have to happen," an EK source said. A thought: if EK bought 25% of its stock back for \$1 billion, could a buyer buy the whole company for \$3-\$4 billion?

A Wider Crack

Ad agencies should keep an eye on Redmond, Wa.-based **Microsoft Corp.**, which spends more than \$900 million on advertising. Reason: the marriage between MC and its main ad agency **McCann-Erickson** is said to be rocky. MC earlier this year gave an assignment to Miami-based creative shop **Crispin Porter + Bogusky**.

"(CPB) was the first crack in the wall and it's likely (McC) will lose more to (CPB) or other agencies," one source said. Insiders at McC/San Francisco where MC's account is handled, in fact, are expecting more changes.

I Believe In Me

Billionaire activist investor **Carl Icahn** is confident that he'll win his proxy battle at the **Yahoo Inc.** annual shareholders meeting August 1. Icahn, who owns 5% of YI, is waging a battle to unseat YI's board and shake up its management, which includes ceo and founder **Jerry Yang**, president **Sue Decker**. "He believes he can bring in enough of the (financial) people who own shares and who will vote with him," said one Icahn confidant.

For its part, YI has been maneuvering to ward off the

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