

Kodak's desktop inkjet business up in the air

Aug. 25

democratandchronicle.com



A file photo of the Kodak EasyShare 5100 printer. / GNS

repeatedly, though the company hasn't said why beyond citing unspecified complexities in the auction process.

Kodak has now scheduled a Sept. 7 hearing in U.S. Bankruptcy Court for approval of the sale. Because the company has to give seven days' notice of the winning bidder and bid price before such a hearing, that pegs the new wrapup date as Aug. 31.

Inkjet ink began flowing in Eastman Kodak's veins in 2003, when company President Antonio M. Perez — who had been a key figure in Hewlett-Packard getting into the industry — saw that Kodak had unique technology that could make a big splash in the field.

Four years later, with Perez now the CEO, Kodak cannonballed into the home inkjet printer market, unveiling its desktop printers at a media event in the same NBC studios used by Saturday Night Live and quickly getting its EasyShare 5100 on shelves at Walmart stores nationwide.

Ever since then, Perez has repeatedly pointed to desktop inkjet printing as a big part of Kodak's future. While previously declared "core" businesses such as film evaporated, the company kept insisting desktop inkjet would be part of the new core, along with commercial printing, packaging printing and print-related software and services.

Except now, suddenly, desktop inkjet printing isn't part of Kodak's starting lineup.

In announcing on Thursday plans to sell a batch of operations including its still camera film business, Kodak also specified a new lineup of core businesses. Commercial and packaging printing, print software and services were still there, along with "functional printing" — or the use of printing as a means of manufacturing. According to Kodak, potential applications include printed electronics and biotechnology.

Patent auction postponements

Eastman Kodak Co. now hopes to have its digital imaging patent auction wrapped up by Aug. 31.

Kodak is seeking to sell about 1,100 patents, with the proceeds earmarked first to pay back the lenders keeping it afloat during Chapter 11 bankruptcy.

The auction began Aug. 8, with Kodak originally scheduled to announce a winning bid on Aug. 13. That announcement has been delayed

Desktop inkjet printing, meanwhile, was placed alongside specialty chemicals and motion picture film as businesses the company would continue “to own and operate.”

When asked why desktop inkjet is no longer considered a core business, Kodak spokesman Christopher Veronda said it “is now at a different product life cycle stage.”

“We have successfully built a significant installed base that is generating strong ink revenue,” he said. “The business has enjoyed several profitable months and is expected to generate cash in 2013.”

The company didn’t directly answer when asked if it plans to sell the desktop inkjet business.

Desktop inkjet printing is one of the few areas left where Kodak deals with individual consumers. The company earlier this year sold the Kodak Gallery business, is closing down its digital camera business, and is in the process of selling its photo kiosk and event imaging businesses.

While consumers once accounted for 90 percent of Kodak’s sales, today the company makes most of its money selling to other businesses, Perez said in Thursday’s conference call with reporters.

Though Kodak has de-emphasized the desktop inkjet business, it likely won’t sell it anytime soon, said Charles LeCompte, a senior analyst with Photizo Group, an imaging industryresearch firm.

“I think Perez is pretty wedded to consumer inkjet,” LeCompte said. “My guess is that’s one of the last things they divest.”

Kodak’s de-emphasis comes as the home/small office printer world is in decline. Overall, printing in the U.S. has dropped from 30 billion copies a decade ago to 15 billion, according to Info Trends.

Lexmark International plans to quit selling inkjet printers for small offices and home offices through retail outlets because of declining sales. And Hewlett-Packard Co. earlier this week said one drag on its second-quarter revenue was a 23 percent year-over-year decline in consumer printer sales.

Kodak projects \$331 million in inkjet printer revenue this year, down about 9 percent from 2011. But unlike 2011, which saw a gross loss of \$81 million, Kodak expects a gross profit this year of \$48 million.

The company spent hundreds of millions of dollars on creating the consumer inkjet line, which makes money not so much on selling printers as on ink sales. But the company’s timing was lousy. According to paperwork filed in U.S. Bankruptcy Court, Kodak said the 2007-09 recession hurt growth and resulted in lower prices.

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