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Clearing the decks...or rearranging the deckchairs?

MARCH 13, 2020

Kodak Alaris is **restructuring its business units**, with the 'Film' component of the Paper, Photochemicals and Film division being moved over to the Kodak Moments division from April 1.

The announcement of the change went out to the direct customers of the Kodak Alaris PPF division from Paul Cullity, country general manager, Kodak Alaris PPF, on February 28.

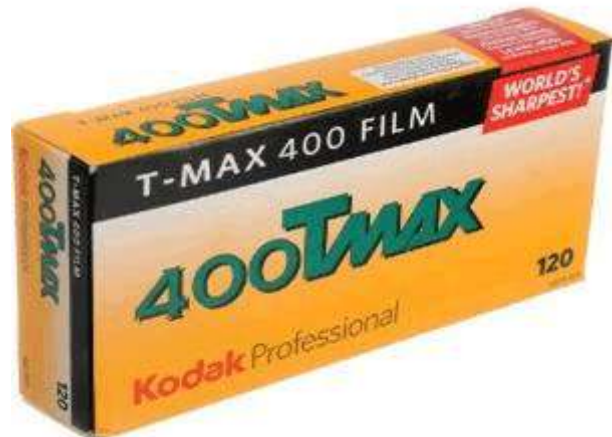
'...Kodak Alaris has undergone a Major Business Change (as defined in the [Kodak Alaris Consumables Supply] Agreement) that requires the Kodak Alaris film business to move from its Paper, Photochemical and Film division to its Kodak Moments division, effective 1st April, 2020. The Kodak Moments division does not trade directly with resellers, laboratories and end-customers in Australia and New Zealand. As a result, Kodak Alaris will not be able to sell you film products under the Agreement after 31st March, 2020,' he wrote.

Inside Imaging asked Kodak Alaris CEO Marc Jourlait what the business rationale was for removing film from the other analog products in the PPF group: 'It's just an internal organisational change for two reasons,' he responded. 'The leader of PPF retired, and the synergies and leverage between our Film products and Kodak Moments in terms of go-to-market and channel partners. No other reasons than that. Doesn't change our products, our commitment to the Film business, or anything that would affect customers.'

He declined to make further comment on the sale of the PPF (now presumably 'PP!') division, 'beyond what we said in our last annual report.'

The Kodak Alaris PPF division in Australia has about 20 prolab/volume photography customers to which it supplies mainly paper and chemistry, and a similar number of smaller retail customers for film. Most businesses in the industry purchase Kodak film and paper from iPhoto, the major distributor of Kodak and other brands to the photo specialist/prolab/professional photographer segment.

Curiously, the letter from Paul Cullity advises customers to source Kodak film from yet another distributor, UCC Australia, rather than iPhoto, the dedicated supplier to the independent photo channel. UCC (formerly 'Universal Clearance Company') distributes a range of Kodak branded products – 'batteries, torches, LED globes, inkjet paper, Recordable Media (CDs and DVDs), film and Single Use Cameras' to grocery and budget stores, and also parallel imports a range of FMCG products in health and beauty, stationery, household and general merchandise.



We approached the Kodak Moments division in Australia for elaboration, but they did not respond.

We asked UCC whether it will be offering the full range of Kodak film, including 120 format, or restricting supply to single use cameras and a few of the most popular film types; whether it will handle small accounts; and whether it will distribute paper and chemistry as well as film.

'It is our company policy not to speak to the press about anything to do with our business,' was the response from national account manager with UCC, Dina Austin.

We also approached iPhoto for clarification. Managing director Stuart Holmes confirmed that it was 'business as usual' regarding supply of Kodak film, noting that an email, approved by Kodak Alaris management, had gone out to customers on February 8 confirming iPhoto was 'the authorised Kodak Distributor for Australia and New Zealand' and that included Kodak professional film, Kodak consumer film, and single use cameras.



But what does it mean?

While the byzantine local distribution arrangements created by Kodak Alaris are probably a story for another day, the transfer of the growing film business from the otherwise declining PPF division to what is clearly the golden child in the Kodak Alaris family, Kodak Moments, is of more global significance.

Kodak Alaris has made no secret of the fact that it has been instructed to sell PPF – and anything else it can get a good price for – by its new owners, the UK Pension Protection Fund. In its last financial report it revealed a buyer it had lined up for PPF [withdrew its offer](#) 'at the date of signing the financial statements'.

PPF has been on the market for at least two years and company figures reveal Kodak Alaris is seeking a bargain basement price of US\$34 million. While paper and chemistry sales decline year on year, film has been another story. Film enjoyed 29 percent growth in the 2019 financial year and now accounts for 36 percent of PPF revenue.

If selling PPF was difficult with the growing and higher margin film business included, it's hard to see it having greater appeal as a distributor in the shrinking, commoditised, colour negative paper and chem market.

(It's important to note that Kodak Alaris doesn't actually manufacture anything itself, but rather owns the licence to sell Kodak-branded products in a range of categories. It does have – *had?* – one paper finishing facility in Brazil, according to its annual report.)

Even though the Kodak Alaris CEO insists there's 'nothing to see here', I'm fairly confident that moving the more attractive bit of PPF over to Kodak Moments has something to do with the sale of parts or all of the Kodak Alaris business the owners are demanding, and there are a range of possibilities. Here's a couple:

- Kodak Alaris has had an offer it can't refuse for the Kodak Moments business, but the potential purchaser wanted Kodak-branded film in the deal as well;
- Kodak Alaris management doesn't really want to sell anything, so it is being a little recalcitrant by moving the more attractive bits of PPF to a division it hasn't been specifically instructed by the owners get get rid of ASAP.

Whatever the case – and any other theories are more than welcome in Readers Comments below – we will know soon enough. The Kodak Alaris financial year ends on March 31 and it's to be expected that a lot, if not all, will be revealed on or around then. Say, April 1, perhaps?

– **Keith Shipton**

One Comment



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MARCH 16, 2020