# How Companies Reinvent Business Models

## Idea In Short

Fujifilm and Kodak sold the same product, photographic film and watched the same technology, digital photography, erase most of the demand for it within a decade. Fujifilm now runs a diversified business spanning cosmetics, medical imaging, pharmaceuticals and semiconductor materials. Kodak filed for bankruptcy in 2012. The difference wasn't luck or timing; both companies saw digital photography coming years in advance. It was what each company did with that warning. This article defines business model innovation, uses Fujifilm's pivot as a running example of what deliberate transformation looks like in practice and closes by mapping Fujifilm's current business onto the nine blocks of a business model canvas.

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## Two Film Companies, One Rupture

Fujifilm and Kodak spent most of the twentieth century as direct competitors, selling photographic film to consumers and professional photo labs worldwide. Demand for that film peaked around 2000 and then collapsed as digital cameras and, later, smartphone cameras replaced it, falling to less than a tenth of its peak within a decade.1 Both companies had years of advance warning. Both had the technical talent, the cash reserves and the market position to respond. Only one of them is still standing as a diversified, profitable company today.

That divergence is the clearest available case study for what business model innovation means in practice:

> not a single new product, but a company deciding to rebuild what it sells, to whom and how, before its existing market forces the decision on worse terms

## What Business Model Innovation Actually Means

Business model innovation is a change to how a company creates, delivers and captures value, distinct from product innovation, which changes what the company sells within an existing structure. A company that adds a new flavor to an existing product line is doing product innovation. A company that shifts from selling a physical product to selling a subscription, or that takes chemistry expertise built for one industry and applies it to an entirely different one, is doing business model innovation.

The distinction matters because the two require different organizational responses. Product innovation can usually happen inside an existing division with existing metrics. Business model innovation typically requires new capability, new partnerships or acquisitions and a willingness to measure success by different numbers than the core business used, at least for a period when the new venture is unprofitable on its own.

## Reading the Warning Early: Fujifilm's Response

Shigetaka Komori became Fujifilm's president in 2000, the same year film demand peaked and by 2004 he had launched a restructuring plan called Vision 75, timed to the company's 75th anniversary. The plan cut film manufacturing capacity roughly in half and reduced headcount by thousands of positions, acknowledging directly that the core photographic film business would keep shrinking rather than stabilize. Komori's central bet wasn't cost-cutting alone; it was redirecting the savings and the company's existing research and development capacity toward markets that could use the same underlying chemistry and materials science.

That required an honest internal audit of what Fujifilm actually knew how to do well, separate from what it happened to be selling. The company's film business depended on precise chemical formulation, collagen-based gelatin production and expertise in how light and oxidation degrade materials over time. None of that knowledge was specific to photography; it was transferable, if someone was willing to redirect it.

## Betting R&D on Adjacent Markets

Fujifilm's clearest example of that transfer is Astalift, a skincare line the company launched in 2007 built around the same antioxidant and collagen research that underpinned decades

of film production. The reasoning was direct: ultraviolet oxidation fades a photograph the same way it ages skin and Fujifilm had seven decades of experience manufacturing gelatin, the primary ingredient in photographic film and a substance derived from collagen.2 Astalift wasn't a licensing deal or an acquired brand; it ran on Fujifilm's own laboratories and its own accumulated formulation knowledge.

The same materials science expertise extended into other markets that had nothing to do with cameras on paper but everything to do with precision chemistry underneath:

> specialized films and coatings used in semiconductor manufacturing, flat-panel display components and industrial materials that had no consumer-facing brand at all

## Buying Its Way Into Pharmaceuticals and Imaging

Where Fujifilm lacked internal capability, it acquired it rather than partnering at arm's length. In 2008, the company won control of Toyama Chemical, a Japanese drugmaker, through a tender offer and share purchase worth roughly $1.45 billion, giving Fujifilm a direct foothold in pharmaceutical research and regulatory expertise it didn't have on its own.3 That acquisition, along with later purchases of biotech manufacturing capacity, built the foundation for what is now a substantial healthcare and pharmaceutical contract manufacturing business.

On the imaging and office technology side, Fujifilm took full control of the long-running Fuji Xerox joint venture in 2018, folding decades of document imaging and printing technology into its own operations rather than continuing to share ownership of that capability with a partner.4 The pattern across both deals was the same:

> buy the capability outright, then integrate it into the company's own operations rather than treating it as a side investment

## Kodak's Different Bet

Kodak had, if anything, a head start on the threat. A Kodak engineer named Steve Sasson built the first working digital camera inside the company's own labs in 1975, decades before digital photography became commercially dominant. Management's reported response was to treat it as a curiosity rather than a warning.5

> "That's cute, but don't tell anyone about it."

The company continued to lean on its film business and its brand strength, betting that marketing and partnerships could carry it into new markets without the deep in-house capability Fujifilm was building at the same time.

That bet didn't hold. Kodak filed for Chapter 11 bankruptcy protection on January 19, 2012, listing assets of $5.1 billion against debts of $6.75 billion, weighed down by pension obligations and a core business that had shrunk faster than any of its diversification efforts could offset.6 The company still exists today, focused mainly on commercial printing, but at a fraction of its former scale.

## Common Patterns in Business Model Innovation

Fujifilm's transformation fits a pattern visible in other successful pivots: companies rarely reinvent themselves from nothing. They identify which of their existing capabilities are transferable to a new market, then commit real capital, either through internal R&D or acquisition, to build a genuine position in that market rather than a token side project. Routine innovation, refining an existing product for an existing customer, wasn't enough for Fujifilm because the existing customer base for film was disappearing regardless of how good the film became. The company needed markets where its underlying capability had value even after the original product category shrank.

Open innovation, working with outside partners and acquired companies, filled the gaps that internal research couldn't close fast enough, particularly in pharmaceuticals where regulatory expertise takes decades to build from scratch.

## Why So Many Transformations Fail

The more common outcome across the corporate world looks more like Kodak than Fujifilm. Resistance to change inside large organizations is real: employees and middle management built careers on the existing business model and a plan that shrinks the core division by half, as Vision 75 did to Fujifilm's film operations, requires leadership willing to spend political capital enforcing it. Uncertainty compounds the problem, since a new market entered without deep capability often loses money for years before it can support itself and boards and investors don't always have the patience for that timeline.

Fujifilm's advantage wasn't avoiding these problems; Komori's restructuring plan still had to cut thousands of jobs and close facilities, decisions that came with real internal and public cost. The company's advantage was moving early enough, while it still had the cash and market position to absorb losses in new ventures long enough for them to mature.

## Key Partners

Fujifilm's healthcare and pharmaceutical business depends on partnerships with hospitals, diagnostic labs and pharmaceutical companies that use its contract manufacturing and drug development services. Its electronics and materials segment works closely with semiconductor manufacturers who require precision chemicals and specialty films produced to exact specifications. The company's imaging and office technology business, following the 2018 Xerox integration, maintains a global network of distributors and enterprise clients for document and print solutions. Academic and research institutions collaborate with Fujifilm on the materials science that underpins products across its healthcare and electronics divisions.

## Key Activities

Fujifilm's core activity today is applying chemistry, optics and materials science research across four distinct business segments rather than concentrating that research on a single product category. Pharmaceutical development and contract drug manufacturing occupy a growing share of company resources, alongside the ongoing production of semiconductor materials and industrial films. The company continues to manufacture consumer imaging products, including its Instax instant camera line, while also running a large-scale document and print services business inherited from the Xerox joint venture.

## Key Resources

Decades of proprietary research in collagen chemistry, antioxidant compounds, optical engineering and thin-film coating give Fujifilm technical assets that transfer across cosmetics, healthcare, electronics and imaging. The company's manufacturing infrastructure, built originally for film production, has been repurposed for precision chemical and pharmaceutical manufacturing. Its acquired capabilities in pharmaceuticals, gained through deals like the Toyama Chemical purchase and its full ownership of former joint-venture technology in office imaging round out a resource base that spans far beyond its original photography business.

## Value Propositions

For healthcare customers, Fujifilm offers pharmaceutical manufacturing capacity and diagnostic imaging equipment built on decades of optical and chemical research. For consumer skincare customers, Astalift offers antioxidant-based formulations with a traceable scientific rationale rather than a purely marketing-driven claim. Semiconductor manufacturers get specialty materials engineered to the precision tolerances Fujifilm originally developed for photographic film. Consumers still buying Instax cameras get a physical, instant-print alternative to smartphone photography, a niche the company preserved rather than abandoned.

## Customer Relationships

Fujifilm's healthcare and electronics divisions operate on long-term contracts and technical collaboration with pharmaceutical and semiconductor clients, relationships that depend on consistent quality and regulatory compliance rather than brand marketing. Its consumer-facing Astalift and Instax lines rely more on retail distribution and direct marketing, closer to how the original film business engaged everyday customers. The office imaging business, serving enterprise clients inherited from Fuji Xerox, maintains relationships through service contracts and account management.

## Channels

Pharmaceutical and healthcare products reach customers through direct sales to hospitals, clinics and pharmaceutical partners rather than retail shelves. Astalift skincare sells through

retail beauty channels and e-commerce across Japan, China, Southeast Asia and parts of Europe. Semiconductor materials move through direct industrial supply agreements with chip manufacturers, while Instax cameras and film continue to sell through consumer electronics retailers and Fujifilm's own retail presence.

## Customer Segments

Pharmaceutical companies and healthcare providers now represent one of Fujifilm's largest customer groups, a segment that didn't exist in the company's portfolio before its post-2000 diversification. Semiconductor and electronics manufacturers form another significant segment, purchasing specialty materials rather than consumer products. Beauty and skincare consumers, mostly in Asia, buy Astalift products directly, while a smaller but durable segment of consumers continues to buy Instax instant cameras and film for reasons closer to nostalgia and physical media than utility.

## Cost Structure

Research and development spending across chemistry, optics and materials science represents a significant recurring cost, reflecting the same investment pattern that funded the original diversification. Pharmaceutical manufacturing carries high regulatory compliance and quality-control costs, distinct from the lighter compliance burden of the original film business. Manufacturing and materials costs remain substantial across the electronics and imaging segments, while the office technology business carries service and support costs typical of enterprise imaging providers.

## Revenue Streams

Healthcare, including pharmaceutical manufacturing and diagnostic imaging, now generates roughly a third of Fujifilm's total revenue, the largest single segment in the company. Business innovation, covering office imaging and document services inherited from the Xerox integration, contributes another substantial share. Electronics, driven by semiconductor materials and imaging, including both Instax and the remaining professional and consumer photography business, make up the remainder, together showing a revenue base that no longer depends on the product category that built the company.

- 1Fujifilm's History And The Collapse Of Film Demand After 2000

- 2The Chemistry Link Between Fujifilm's Film Research And Its Astalift Skincare Line
- 3Fujifilm's 2008 Acquisition Of Toyama Chemical
- 4Fujifilm's 2018 Move To Take Over The Xerox Joint Venture
- 5Kodak's Internal Dismissal Of Its Own Digital Camera Invention
- 6Kodak's 2012 Chapter 11 Bankruptcy Filing

## Summary

Fujifilm's transformation didn't happen because the company predicted digital photography better than Kodak did. Both companies saw it coming; Kodak's own engineer built the first digital camera in 1975. What separated the outcomes was whether leadership treated the coming collapse as a reason to build genuinely new capabilities or as a problem that could be managed with the existing brand and existing partnerships. Fujifilm spent on in-house research into materials science, chemistry and optics and used it to enter cosmetics, healthcare and electronics as an operator, not a licensor. That distinction, between building new capability and renting it, is the practical test for any company facing a similar rupture in its core market.