

GOPRO INC 2017: Failing With Initial Strategy or Just Poor Execution? An Illustrative Case Study with Analyses

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Abstract

This paper is an instructional secondary research case study of Go Pro Incorporated. It has been developed for a business policy/strategic management course as well as a course in entrepreneurship and/or technology management in order to illustrate how a student would conduct a strategic analysis of a firm. The case includes a discussion of the firm's mission/vision, strategic approach to the market, industry and SWOT analyses, value chain analysis, financial analyses and recommendations. The case also includes brief explanations of the theories and techniques in question so that students can review content material they have covered in class. It is recommended that this case is employed toward the end of the semester so that students understand the tools and processes associated with implementing a firm's strategic vision but before an assignment of a comprehensive case (secondary and/or primary) so that they have a model in which to base their analyses upon.

GoPro, Inc. was a pioneer in the action camera market. The company, GoPro Inc. was founded by Nick Woodman in 2003 and went public in December 2012 at \$24 per share (<https://gopro.com/about-us>). The company developed action cameras that were easily mountable and wearable and enable users to capture image and videos of their personal events easily.

GoPro first moved into the market by creating distinct key features that differentiated their camera- and, i.e., action camera with mountable and wearables. However, with its innovative characteristics, GoPro not only differentiated their products but also targeted customers segments such as sports enthusiasts, bikers, adventurers, etc. GoPro excelled as a differentiator given its high brand equity and a strong reputation for its quality of the footage. Some competitors started to target the same segment with better quality products or with similar quality products at a lower price. The impact of this competition and loss of momentum was evident in the firm's eroding financial performance. GoPro's stock price on October 23, 2018, was \$6.82 per share with a P/E ratio of -3.17 (<https://www.marketwatch.com/investing/stock/gpro>).

The question students need to address is how GoPro can recover. Measures discussed include corrective strategies such as turnaround, retrenchment, diversification, conglomerate diversification, and liquidation. Instructors may want to delete the alternatives that are discussed so that their students can develop their own recommendations rather than agree or disagree with the recommendations of the authors.

INTRODUCTION

The most important realization for the management of a growing start-up firm is to understand what could go wrong before that wrong actually occurs. In this way, management can take corrective actions to avoid the trouble ahead by designing the proper tactics to address these predictable problems. Yet many successful start-up businesses do not plan for growth and the market changes that may come with it and therefore are not able to respond to environmental elements (such as increased competition) in a rational manner.

First movers should be well aware of the fact that as their product surpasses the early adoption phase of the product life cycle becoming more mainstream, that competitors will invade the market (or market segment) with their new products, sharper strategies, and newer technologies. Companies who are not proactive fail to defend their markets and risk failure – cases in point are “category killers” like Blockbuster, Barnes and Noble and Toys R Us who safeguarded themselves neither from warehouse low cost providers such as Wal-Mart and

Costco nor from internet retailers such as Amazon and Overstock. These businesses will ultimately fail regardless of their firms' attempts to restructure and reorganize. Some of them may manage to recover, but many of them do not (Sull, 1999; Suarez and Lanzolla, 2005).

On the other hand, the some managers not recognize these threats early on in their product's life cycle but expect them to occur. However, foresight in and of itself is not a guarantee of a successful formulation and implementation of a counter to potential competitor moves. The question we must pose in this case then is; did this firm fail to plan for projected increased competition or did this firm's plan just fail (or both!).

GoPro Inc.: Quick Overview

GoPro, Inc., as a pioneer in action camera, started their commitment in 2003 to develop solutions that create an easy, seamless experience for consumers to capture, create and enjoy engaging personal content. Their products are the cameras and mountable and wearable accessories. The firm sells its products globally through retailers, wholesale distributors while they also sell products on their website.

The company was historically successful but posted its first net losses in each quarter of 2016 and the first two quarters in 2017. Though GoPro has launched some new products in recent years (i.e., HERO5-a cloud based camera), with their gross margin ranging from 35-45%, the company gas still experienced net losses for the last two years consecutively. To return to breakeven, GoPro has implemented a major cost cutting policies, as well as trying to raise funds by selling convertible bonds valued around \$175 million in the first quarter in 2017 (Hoium, 2017).

Background of GoPro

Nick Woodman founded the company, GoPro Inc. in 2003. Woodman, while traveling to Australia and other parts of the globe, felt in dire need for a camera that could be fastened to his wrist so that he could take surfing videos of himself. He wanted to be able to view and share his firsthand experiences doing what he loved. In 2001, he decided to manufacture this innovative camera and successfully came out with a basic model. GoPro's first launched product was a disposable camera (35mm). Then in 2004 and 2005, there were was a huge sale of a new camera - \$350,000 in revenues. The company initiated full-scale video recording camera in 2008, though, first digital video recording camera was introduced back in 2006. The company went public in December 2012 at \$24 per share. The company was selling its products online through its website (direct sales) and in more than 25,000 stores around the world.

Product Lines

GoPro's key distinguishing features of their products focus on product quality and durability. They have a product series of action cameras (1) HERO5 (2) Hero4 (Silver & Black) (3) Hero3+ (Silver & Black) and (4) Hero3 (White). Along with the product liner of action camera GoPro has a new product – a drone camera name Karma and an App for using upload and download image and video to the social media or iCloud.

Mission, Vision, and Strategy

The mission describes the organization's business is in now, what the firm is planning or will do in the future. Simply, a mission is the purpose and direction an organization pursues as derived from its vision and values (Sherman et al., 2006). Thus, the mission statement of GoPro is "GoPro makes the world's most versatile cameras." The mission of GoPro to help people to capture and share their lives' most meaningful experiences with others—to celebrate them together (<https://gopro.com/about-us>). The mission is derived from the company's vision. The company or organization wishes what to be in the future is its vision. The topmost management visualizes the vision of the company, thinking out of the box, from their day-to-day operations. Hence, the vision of GoPro is "to have passionate ideas about what's possible in this world." Nicholas said,

“Our passions lead us to create experiences and realities that expand our world and inspire those around us” (<https://gopro.com/about-us>).

On the other hand, a strategy describes how an organization and its employee or stakeholders make decisions and allocate its resources to accomplish the organization’s objectives. GoPro’s strategy is to target a narrow based market, i.e., special niche with special cameras in an extremely competitive market – a differentiated focused strategy (Sherman et al., 2006). The company as a first mover planned to be an innovative leader in the action camera market by providing the customer with a method of recording real life experiences with action camera.

MACRO AND INDUSTRY ANALYSES

Macro means as a whole. The macro environment encompasses the general conditions that an industry and/or business must address and deals with forces that affect potential growth and profitability. These forces include not only national boundaries (Porter, 1989) but also include environmental factors across nations. These forces include, but are not limited to, *employment, spending, GDP, inflation, monetary & fiscal policy, exchange rates, political situation, social environment and legal systems*. This environment supersedes the industry forces driving an individual business sector. The amalgam of these elements, trends, and forces do create opportunities and threats to a given industry and its businesses and therein need to be accounted for (Sherman et al., 2006). For example, the world *economy* recovered from the recession of 2007-08 providing the potential for growth in existing and new markets. On the other hand, if customers are injured when using their cameras GoPro may be subject to legal claims based upon product safety standards set by the *government*. They offset this risk by retaining product-related safety insurance (https://s21.q4cdn.com/291350743/files/doc_financials/2017/Proxy-Statement-2017-and-AnnualReport-Combo-Book-FINAL.pdf). From a *social point of view*, GoPro created the action camera culture, as they are the major provider of videos to YouTube, Facebook, etc. However, they need to continue *technological* advancement to maintain their first mover advantage in the iCloud environment. Similar to other electronic devices, its lithium battery can cause the harm to the *environment* so sustainability issues with the lithium battery, like other electronic companies, need to be addressed by GoPro.

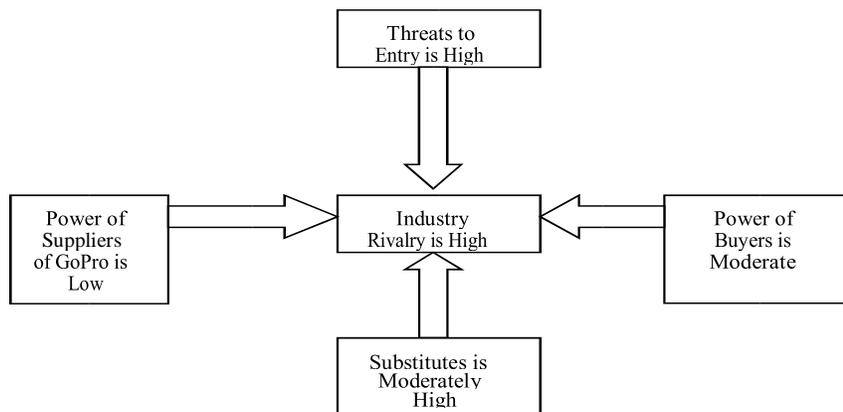
Industry Analysis: Porter’s Five Forces and GoPro (See Figure 1 below)

Firms, besides being affected by their external environments, are also impacted by the structure of their industries as well. An industry is defined as a group of firms that provide similar goods or services to similar consumers and customers (Sherman et al., 2006). There are five specific industry forces which form the overall structure of the industry and therein impact the success of an organization’s strategy since the combination of these forces determines the relative profitability of the industry as a whole as well as the industries’ market segments (Porter, 1980).

GoPro belongs to the action camera segment of the camera industry, a segment that was grown very fast in the last decades relative to the decline of the camera industry as a whole.¹ GoPro was the first mover into this industry segment at in 2018 still enjoys first mover advantage. First mover advantage aside, GoPro is now facing fierce competition from its competitors. The major competitors are Garmin (GRMN), Polaroid and Sony (SNE). Other companies such as Taser (TASR) and Digital Ally (DGLY) etc. are also working to develop products in this market segment. They are targeting the particular market niche that GoPro inhabits (cameras for police and security officers) and negatively influencing their market share. Another key trend is price polarization: growing sales of low-end models costing less than \$200 have made high-end models such as GoPro's \$499 Hero 4 Black seem unreasonable (Seitz, 2015).

¹ Smartphones with built-in cameras have dramatically altered the camera industry acting as substitute products for low end, household cameras.

Figure 1
Summary of Michael Porter's Five Forces Model
Go Pro's Position



Adopted from Sherman et. al., 2006, 139.

Many forces shape an industry's environment. We would like to analyze the action-camera industry niche with Michael Porter's (1980) five forces model. This model is a useful instrument to determine industry attractiveness because pinpoints the forces that drive profitability; businesses can adjust their strategy accordingly (Sherman et al. 2006).

Power of supplier

The power of the supplier of the industry is low because various Chinese firms supply most of the raw materials. The action camera industry has ample supplier options therein marginalizing the power of supplier. The industry has the ability to switch the suppliers as it wishes and even can outsource manufacturing quite easily. The price of the raw materials is decreasing rapidly because of the supplier competition and the overall availability of raw materials.

Power of buyers

The power of the buyer is moderate because there are just a few companies offering products in this relatively new market niche. GoPro as the first mover has been able to create value for its product and create a recognizable brand name. With a loyal customer base, the firm offers products that are not common in the market. Customers, however, can switch to other brands like a cube of Polaroid if they consider an inferior product with a lower price point.

Threats to entry

The fast growing action camera market for the past few decades has gone relatively unnoticed by the large tech giants. However, in the past few years, they are moving into the market. Threats of new entries are increasing as large electronic firms (Apple, Sony, Samsung, Google, etc.) can now easily enter the market. GoPro is facing increasing competition as a prospector from analyzers (Miles and Snow, 1978) like Polaroid. Apple is also taking notice having been awarded a new patent for a video camera. Given Apple's brand recognition and a large, loyal customer base, this could become a real threat for GoPro and other existing industry players.

The threat of substitute products

The threat of substitute products is also moderately high because of increasing technological advances that may allow users of more generalized camera products and smartphones to mirror the functions of action camera

products. Smartphones can offer similar amenities to an action camera at low or minimal expense to the user, in addition, they provide a full set of integrated services (i.e., put pictures on Instagram ASAP) that a traditional action camera cannot do at this time. Just as cell phones have intensely negatively compressed the market share of landline phones advances in smartphone designs geared to more action usage can virtually wipe out this market niche.

Industry rivalry

Industry rivalry is extremely high because with the accelerating market expanding, GoPro competitors are stepping up their game. Any new competitor of GoPro can use newer technology and provide a better camera at a lower price. GoPro's first mover advantage is going to unwind if they fail to cope with the competition from the second and third entrants who will learn from GoPro's mistakes. The major competitors include GoPro are 'Ion America, a privately held company based in Moorestown, New Jersey. Ion introduced its first action camera, called Air Pro while Sony entered the market with the AS100V and Garmin with Virb camera. Virb is a "strong contender" because of its rugged design and good video quality (<http://www.nasdaq.com/article/gopro-dominates-do-it-yourself-action-video-industry-cm414301>). Polaroid recently introduced Cube, an ultra-small video camera for \$99, priced \$30 below GoPro's low-end model.

Business Level Strategy of GoPro Inc.

The business-level strategy addresses the question of how a firm will compete in a particular industry. It is vital to understand the firm's pattern of competition, the strategic behavior of the firm since this behavior is derived from the firm's underlying culture and values and directly affects the firm's strategic decision-making processes. By examining the firm's approach to the market, we derive insights into the firm's self-perception and perception of the market (Sherman et al., 2006).

Strategic Approach of GoPro to Market Place (See Figure 2 below)

Every business firm has an approach to the market that influences its overall competitive strategy. Miles and Snow, describe four categories of approaches: prospector, defender, analyzer, and the reactor (<http://dsmgt310.faculty.ku.edu/SuppMaterial/MilesSnowTypology.html>).

A prospector is a highly innovative firm that is constantly seeking out new markets and new opportunities and is oriented toward growth and risk taking. Rather than seeking new growth opportunities and innovation, a defender concentrates on protecting its current markets, maintaining stable growth, and serving its current customers. An analyzer both maintains market share and seeks to be innovative, although this firm usually not as innovative as a prospector. A reactor firm has no consistent strategic approach; it drifts with environmental events, reacting to but failing to anticipate or influence those events. These organizations usually do not perform as well as organizations that implement prospector, defender, or analyzer strategies (Sherman et al., 2006).

Successful prospectors either enter the market in the early stage of the industry life cycle in large scale or with a high quality product and have a broad product line with heavy promotional expenses. GoPro is a pioneer in the action-camera market and continues as a market leader. After experiencing growth, GoPro as a prospector is changed master in that the firm tries to change the marketplace by creating new action-cameras that establish new market niches and/or respond rapidly to changing market conditions (including competitive actions). GoPro is the market leader for its constantly innovating strategy and innovative products. This approach so far is sustainable with Nick Woodman leading the way supported by a good management team and (<https://gopro.com/about-us>).

Figure 2

Miles and Snow's Typology (Competitive Approach):



Adopted from <http://www.free-management-ebooks.com/news/wp-content/uploads/2016/12/ms1.png>

There are certainly some disadvantages and risks associated with the prospector strategy. The sustainability of competitive advantages for prospectors is low due to eventual superior competition; prospectors must then renew their product/services or abandon the markets that they have created. This puts tremendous pressure on the prospector to innovate continuously and to develop new markets and/or new products - prospectors are only as good as their last market leader (Sherman et al., 2006).

Generic Strategy: Competitive Advantage of GoPro (See Figure 3 below)

Generic strategies look into the core elements of the business level strategy of a firm. A generic strategy is the method of competition a business firm employs, based upon their distinctive competencies, which maximizes the firm's profitability given its position within an industry. The most popular set of generic strategies is embodied in the work of Professor Michael Porter (Porter, 1980). Three generic strategies for achieving competitive advantage in an industry are cost leadership, differentiation and focus.

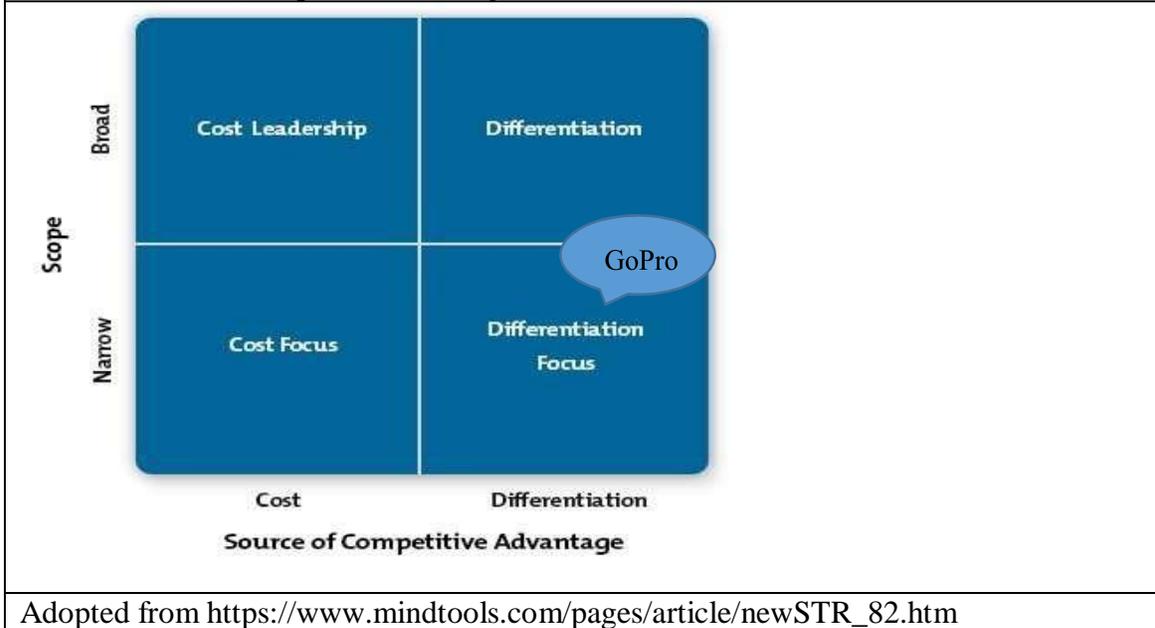
1. **Cost Leadership-** A firm is a low cost provider by either is offering goods at the lowest price or by offering goods at a competitive price with a larger profit margin than its competitors offer. (https://www.mindtools.com/pages/article/newTMC_08.htm). There may be various reasons for these cost advantages: technological superiority, availability of raw materials, cheap labor, government subsidies, etc....

2. **Differentiation-** In a differentiation strategy, the firm focuses on some distinct features and key elements of their products that the customers find more valuable than other products in the same market. Offered features should be unique and not easily copied by the competitors. The firm selects one or more attributes that many buyers in an industry perceived as important and uniquely positions it to meet consumer needs — for example, facial recognition on a smartphone. The firm charges a premium price for such features therein having a higher marginal profit than lower cost competitors' products (<http://www.mba-tutorials.com/strategy/1145-grandstrategy-matrix.html>).

GoPro has a high brand equity and a strong quality reputation. This advantage may not be sustainable as other competitors continue to improve their quality and find ways to penetrate the market and differentiating themselves.

Figure 3

Porter's Generic (competitive) Strategies



3. Focus- The firm selects a market segment or segments in which to compete rather than the entire marketplace. This strategy narrows the firm's competitive scope, and its competitive advantage is greatest for that segment. The Focus strategy is designed with two variations: (a) when a firm focuses on a cost advantage and (b) when a firm focuses on differentiation.

GoPro Competitive Strategy is Differentiation-Focused

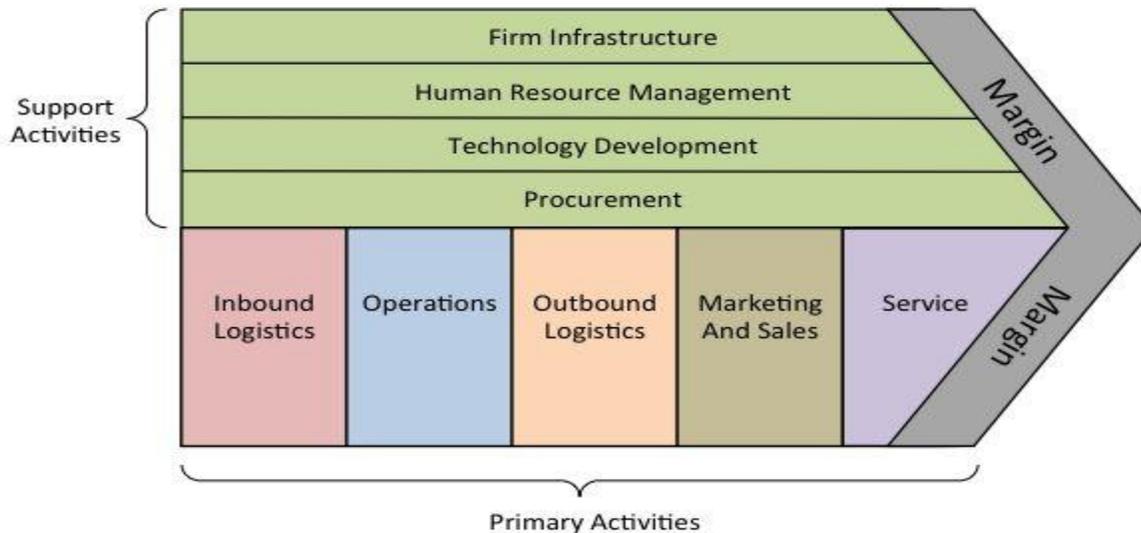
The image and video recording device (camera) market is a broad market. GoPro first moved into the market by creating distinctive features that differentiated their camera; an action camera that is mountable and wearable. The market is quickly expanding as newer technology allows for greater miniaturization. GoPro not only differentiated their products but also target specific customer groups - sports enthusiasts, bikers, adventurers, etc. The action camera is sophisticated, waterproof and is capable of taking high definition pictures and videos. Their small size and dramatic POV ('point of view') footage has made them popular with extreme sports participants, who capture their adventures by attaching cameras to themselves or their equipment. The product is also used by TV production companies where using a regular video camera would be impossible (<http://www.techradar.com/news/photography-video-capture/cameras/>). GoPro's product is well known for its durability and quality. With this strategy, the organization has set a higher price for its products than its competitors with presumably higher profit margins. The main difficulty with GoPro's differentiated-focused strategy, or any other firm using a similar strategy, is that some competitors are targeting the same segment with similar if not better quality products at lower price points.

INTERNAL ANALYSES

Michael Porter's Value Chain

In Michael Porter's model of the value chain, activities divided into primary activities (i.e., inbound logistics, operations, outbound logistics, Marketing, service) and support activities (i.e., firm's infrastructure, HRM, technology development, and procurement (Schilling, 2016).

Figure 4
Michael Porter's Value Chain



The primary activities of GoPro are:

Inbound Logistics

The strength of inbound logistics of GoPro is high because it controls its inbound logistics via a company that has strong ties with GoPro. Umbarella (AMBA), which makes image-processing chips for GoPro's popular Hero action cameras, is a trustworthy supplier to GoPro. However, Umbarella manufactures numerous other products and therefore has far more customers than GoPro (<http://www.investors.com/news/technology/click/amba-coverage-initiated-with-outperform-rating/>).

Operations

Foxconn is the prime manufacturer of GoPro's products. There is a strong relationship between Foxconn and GoPro that makes the GoPro to enjoy the higher discount rate, which enables GoPro to get cheaper products without sacrificing the quality. Being a more developed action camera maker, GoPro gets more benefits than its competitors given its strong supplier relationship. GoPro is supposed to make good profit margins and maintain a steady level of growth because of that facility. This opportunity enables GoPro to price its products higher than any of its competitors. However, the firm does not focus on the cost advantages, opting to continue with its high brand equity and strong reputation. The weakness also lies with the depending only one organization for the right to develop compatible cameras for the action camera market.

Outbound Logistics

Along with selling online through its website as well as through Amazon and eBay, GoPro also sells its products through giant discount stores like Walmart and Target. However, the discount market is a large portion of its potential overall market that it has yet to explore.

Marketing and Sales

Their target is a niche market, and GoPro continues to lead in the action camera market. The company still aims to increase its market share in the future. Users of its action camera can upload videos to social media

platforms, send the videos through email, and share with their friends through GoPro's app. Customers experience with GoPro "real live" action and its use with social media enhances the bond between products and consumers that enhances the brand's image. GoPro adopted a Minimum Advertised Policy (MAP)² that allows them to reduce their expenses.

Service

GoPro through its MAP Policy advertises and offers after sale services by resellers. They promote GoPro products primarily based on price. This strategy could be detrimental to GoPro's competitive position because it will create a perception gap between GoPro and its customers who see the product as a cutting edge. Such pricing activities can be harmful to GoPro's brand, reputation, and competitiveness, and allow some resellers to take advantage of the service and support efforts of other retailers.

GoPro's secondary activities are:

Procurement

To maintain a high level of quality of its products, GoPro instituted a quality procurement process with raw materials as well as human resources. However, to keep this high level input procedure operating effectively with high standards of quality for raw materials; costs are incrementally higher.

Human Resource Management (HRM)

GoPro started with high quality products that were successful because the company has strong HRM consisting of the highly skilled workforce and efficient management support. The personnel is highly motivated, innovative and hardworking with high salaries. HRM is responsible for personnel activities such as recruiting, hiring, training, developing, compensating and dismissing or laying off personnel. The employees are not unionized, and this gives the company some negotiating advantage with employees. However, the higher salaries result in a higher operating cost for the firm and higher prices.

Research & Development

GoPro stands for the excellence of its products. GoPro has an innovative R&D program to maintain that high quality. However, customers may not be loyal to their brand if they find similar products at a lower price. Moreover, advances in technology enable other companies to deliver similar quality with better pricing. R&D must keep up if not lead to technological trends in the field. Competitors like Polaroid with lower prices have already entered the action cameras market requiring retaliation on the tech front from GoPro.

Technological Development

GoPro's main strength as a hi-tech firm that develops innovative camera technology contributes to the high value of its customers attach to GoPro's action cameras; they are the pioneer (first mover) in this action camera market. Videos and imaging are widely using technology, which is often bundled with other products like camera cell phones. Such a minor technological shift with similar technologies lowers barriers allowing large companies to enter the industry easily. It will be easy for the companies to offer similar services along with their generic products like cell phones etc. by easily replicating GoPro's products. In addition, the camera industry has seen a dramatic increase in disruptive technologies that have redefined the consumers' view of cameras in general and more specifically action cameras.

2

One increasingly common technique companies are using to safeguard their brands is implementing a MAP policy. Short for a minimum advertised price policy, these are policies that companies establish declaring the minimum prices at which authorized sellers are permitted to advertise their products. It is important to note that these are *policies* and not actual agreements. <https://www.onlinesellerenforcement.com/minimum-advertised-price-policy-enforcement/>, 10/23/18.

Infrastructure

GoPro Inc. was founded in 2004 and headquartered in California. The organization has about 552 employees at the time of this writing. Nicholas Woodman has been serving the company as Chief Executive Officer (CEO). He was also elected as Chairman of the board of directors in January 2014. The HERO camera is the flagship camera that was invented by Mr. Woodman with his employees.

Financial Analysis: Is GoPro in Financial Distress?

Poor financial performance is a symptom of poor strategy formulation and/or implementation and control. The prior preliminary discussion of the financials of GoPro indicated that a firm that was originally was leading in the action camera market has failed to sustain its early lead. The cause may be the volatility of the industry itself with a rapidly changing environment and, as a first mover, can add more disadvantages as well.

Management needs to assess the long-term financials of a company in light of the formulated goals and strategies of the firm. Financial analysis is also important for the firm's external stakeholders relative to investing in the company's, consider an extension of credit, or to supplier arrangements.

We know that the main objective of any business is to make a profit, generate growth and ultimately to increase enterprise value. The enterprise value of GoPro has been decreasing gradually for the last couple of years where at the end of the last fiscal year 2016, the enterprise value of GoPro became one seventh of what it was in 2014. (See Table 1 below.)

| Annual Date (in a million) | Dec. 2016 | Dec. 2015 | Dec. 2014 |
|----------------------------|-----------|-----------|------------|
| Enterprise Value | \$1013.29 | \$1986.11 | \$7,740.08 |

https://s21.q4cdn.com/291350743/files/doc_financials/2017/Proxy-Statement2017-and-Annual-Report-Combo-Book-FINAL.pdf

When we analyze the income statement of GoPro over the last five years, we see declining revenues with increased net losses. From 2014 to 2016, the firm experiencing a gradual decrease in net income. In the year 2015, the company posted minimal income followed by increasing losses continuing into the first quarter of 2017.

| Statement of GoPro | Months Ended | | | | | |
|---------------------|----------------------|--------------|--------------|--------------|-----------|-----------|
| | March 31, 2017 | 12/31/16 | 12/31/15 | 2/31/14 | 12/31/13 | 12/31/12 |
| | (figure in thousand) | | | | | |
| Revenue | \$ 183,536 | \$ 1,185,481 | \$ 1,619,971 | \$ 1,394,205 | \$985,737 | \$526,016 |
| Cost of revenue | 123,822 | 723,561 | 946,757 | 766,970 | 623,953 | 298,530 |
| Gross profit | 59,714 | 461,920 | 673,214 | 627,235 | 361,784 | 227,486 |
| Operating expenses: | (2,928) | 544,256 | 1,394,687 | 1,423,325 | 800,149 | 507,368 |
| Net income (loss) | \$ (107,459) | (419,003) | 36,131 | 128,088 | 60,578 | 32,262 |

https://s21.q4cdn.com/291350743/files/doc_financials/2017/Proxy-Statement2017-and-Annual-Report-Combo-Book-FINAL.pdf

Ratio data of GoPro in Table 3 depicts the firm's weak financial strength. With negative profitability, though the gross margin is steady at around 40%, the company's financial situation is not optimistic with a larger debt-equity ratio than the industry average (40% versus 20%). Liquidity of the firm is also troublesome as seen by examining the quick and current ratios since they are below the industry average.

| Name | Company | Industry |
|--|---------|----------|
| Profitability | | |
| Gross margin TTM | 37.32% | 42.79% |
| Operating margin TTM | -19.70% | -1.10% |
| Net Profit margin TTM | -27.88% | -2.14% |
| Per Share Data | | |
| Revenue/Share TTM | 9.25 | 14.7 |
| Basic EPS | -3.01 | 0.14 |
| Management Effectiveness | | |
| Return on Equity TTM | -79.42% | -6.17% |
| Return on Assets TTM | -45.57% | -3.99% |
| Return on Investment TTM | -64.69% | -5.91% |
| Growth | | |
| EPS(TTM) vs TTM 1 Yr. Ago | -63.95% | -19.21% |
| 5 Year Sales Growth | 38.31% | 16.09% |
| Financial Strength | | |
| Quick Ratio MRQ | 1.13 | 2.24 |
| Current Ratio MRQ | 1.66 | 2.64 |
| LT Debt to Equity MRQ | 40.22% | 18.46% |
| Total Debt to Equity MRQ | 40.22% | 19.91% |
| <i>Fall 2017 Data</i> https://www.investing.com/equities/gopro-inc-ratios | | |

SWOT Analysis

SWOT is an effective tool for analyzing a business firm. The business environment includes the internal and external environment. We should know the environment opportunities for GoPro when we identify the firm's internal Strength & Weaknesses and external Opportunities & Threats. The following table shows a preliminary SWOT for GoPro Inc.:

Figure 5

Preliminary SWOT Analysis of GoPro

| | |
|---|--|
| Strengths Strong brand name Loyal customer base High quality products Strong R&D | Weaknesses Low marketing capability The high price of the product Limited market exposure The high cost of R&D |
| Opportunities Higher scope to expand the market Convenient for new technology and social media Scope to lower cost Scope to develop new products | Threats Fierce competition from competitors Low price product introduction by other companies The high scope of substitute products Legal barriers like patents and customer safety Rapid technology change The high scope of entrance for another tech giant |

Corporate Level Strategy Selection Matrix of GoPro

We can now use the preliminary SWOT analysis to begin to select the corporate level strategy for GoPro Inc. The Corporate Level Strategy Selection Matrix provides a menu of strategies available to a firm based upon the results of a SWOT analysis. Figure 6 provides the strategic options for a company given one of the four quadrants they may be placed in via the SWOT analysis.

Figure 6

Corporate Level Strategy Selection Matrix

| | STRENGTHS | WEAKNESSES |
|----------------------------|---|--|
| OPPORTUNITIES | GROWTH Concentrated Growth Horizontal Integration Vertical Integration Related Diversification | HARVEST Rethink Concentrated/Growth Horizontal Integration Divestiture Liquidation |
| THREATS | MAINTENANCE Related Diversification Conglomerate Diversification Cooperative Strategies | CORRECTIVE Turnaround/Retrenchment Related Diversification Conglomerate Diversification Divestiture/Liquidation |
| Sherman et al., 2006, 339. | | |

Given the preliminary SWOT (a list of key factors), one can then assign a relative value/weight for each of the listed factors. By quantifying the SWOT analysis, understanding that this quantification is subjective, allows one to summarize the interaction of SWOT factors using a matrix score (x axis = S-W; y axis = O-T). See Figure 7.

| Figure 7 Detailed SWOT Analysis of GoPro | | |
|--|--|-------------------------------------|
| Strengths: (Average rating 0-10= 6.31) Strong brand name (7) Loyal customer base (8) High quality products (8) Strong R&D (6) | Weaknesses: (Average rating 0-10= 7.75) Low marketing capability (7) The high price of the product (9) Limited market exposure (8) The high cost of research and development (7) | Strengths – Weaknesses= -1.44 |
| Opportunities: (Average rating 0-10= 7.00) Higher scope to expand market (6) Convenient with new technology and social media (8) Scope to lower cost (7) Scope to develop new products (7) | Threats: (Average rating 0-10= 7.16) Fierce competition from competitors (8) Low price product introduction by other companies (9) The high scope of substitute products (8) Legal barriers like patents and customer safety (4) Rapid technology change (5) The high scope of entrance for another tech giant (9) | Opportunities– Threats=-0.16 |

Adopted from Sherman et al., 2006, 387.

SWOT and Grand Strategy Matrix of GoPro

By putting the calculated value of (SW= -1.44; OT = - 0.16) into the Corporate Level Strategy Selection Matrix, we find that strategy selection would fall into the fourth quadrant (Q4) which denotes the importance of taking corrective measures for the firm's current strategy. GoPro falls within this quadrant (Q4) given its slow growth in a competitive environment and lack of economic performance. See Figure 8 below.

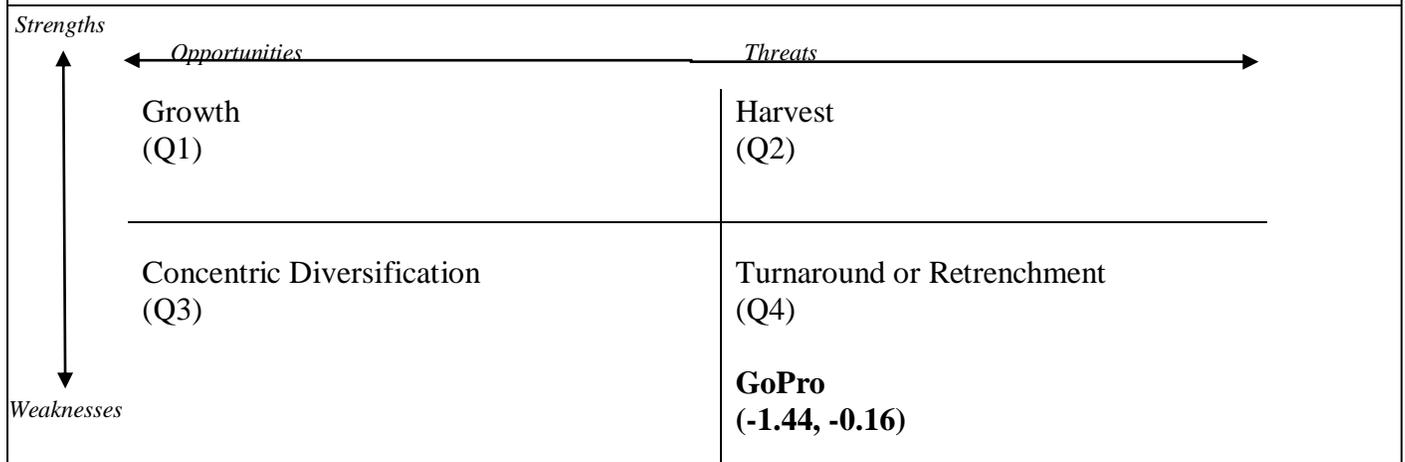
RECOMMENDATIONS BASED UPON SWOT ANALYSIS

Corrective measures for GoPro

Financials are the symptoms that the firm is going wrong in the wrong direction. There may be many reasons why a business model cannot be sustained. However, if the management could take the initiative to shift the firm's strategy, the firm may recover. Evaluating the external and internal environment is the key elements in the strategic planning process of an organization. Various effective tools can be used in this endeavor. For the strategic planning process, industry analysis enables management to understand the change in the environment that is the key issue for success. We should understand the firm's competitive approach and competitive position of a firm in an industry environment and determination of the firm's need to grow, harvest, and turnaround or retrenchment perspective.

Figure 8

SWOT and Grand Strategy Matrix for GoPro



Being in the fourth quadrant of strategy selection grand matrix, the strategic options available to GoPro include turnaround, retrenchment, diversification, conglomerate diversification, and divestiture or liquidation. The industry situation is volatile with rapidly changing technologies, new entrants' threats, and easy substitutable products. In this situation, the firm should rethink its generic strategy. GoPro has taken some financial measures through retrenchment by selling \$175 million of convertible bonds as an effort to raise capital after cash levels dropped to \$75 million at the end of the first quarter in 2017(<https://www.fool.com/investing/2017/06/21/the-next-3-months-could-make-or-break-gopro-inc.aspx>).

If GoPro is going to recover, it should certainly rethink its strategic position. The firm was a prospector with a focused-differentiated position yet this position is deteriorating due to technological advancements and the easy copying nature of their camera. A strategic decision should be taken to change its strategy and widen its market appeal with product diversification and changing its differentiation strategy. This shifting strategy may also affect GoPro's stated mission.

Perhaps collaborating with a big manufacturer such as Apple, Samsung, LG, etc. who could use their camera as raw material with products such as iPhone, or smartphones, may alleviate some of the competitive pressure. In this regard, GoPro can also make strategic alliances with several manufacturers. GoPro may also keep developing new, innovative products such as drone cameras and those used with police uniforms.

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