

Gopro inc. essay sample

Economics



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Executive Summary

This case study will provide strategic information on the San Mateo, California company: GoPro, Inc. It will provide tools used for management decisions as well as an analysis of the information. The purpose of this paper is to provide an in-depth, formal case analysis that utilizes the entire strategic management process. Assuming I have been asked by GoPro to fully analyze the ins and outs of their firm, we will take a look at GoPro's internal and external environment. Some analysis tools that will be utilized include: SWOT, BCG, IFE, EFE, SFAS, OSPP, SPACE, and QSPM matrices. At the end of the analysis recommendations and insight into the success of GoPro will be given.

Background

GoPro is a camera company that provides enthusiasts with an all in one device that captures top quality video or pictures. It is an all environment camera, with a casing that allows it to go from extreme cold to underwater. Surfer Nick Woodman who originally started selling 35mm film cameras while living in a 1971 Volkswagen van founded the company (Mac, 2013). He wanted to create a camera that could be tethered to your wrist, so you could take surfing videos of yourself. In 2001 he started to test the first makeshift models, and then realized he would have to manufacture the camera, its housing and the strap all together (Mac, 2013). In 2003 Nick founded Woodman Labs, the parent company of what is now GoPro. The first GoPro was a 35mm disposable camera, then in 2004 and 2005 he sold about \$350,000 worth of his new cameras. In 2006, the first GoPro digital video recording version was implemented. Then by 2008, thanks to audio

recording, full feature recording, a wide-angle lens, and upgraded quality, the GoPro made its first real video recording debut. With the help of being marketed as a mountable recording device its sales shot through the roof. In December 2012 the company GoPro went public, and Nick Woodman became a billionaire (Mac, 2013). Company Position

GoPro's vision statement is strong and simple at the same time. Its statement is: " GoPro makes the world's most versatile cameras" (GoPro: Worlds Most Versatile Camera, 2004). This vision statement shows what GoPro wants to do and what it does; it is inspiring and strong. GoPro's mission statement, which is outlined by the Founder and CEO of GoPro, Nicholas Woodman goes as follows: Think it. See it. Do it.

We dream. We have passionate ideas about what's possible in this world. Our passions lead us to create experiences and realities that expand our world and inspire those around us.

GoPro helps people capture and share their lives most meaningful experiences with others- to celebrate them together. Like how a day on the mountain with friends is more meaningful than one spent alone, the sharing of our collective experiences makes our lives more fun.

The world's most versatile cameras are what we make.

Enabling you to share your life through incredible photos and videos is what we do.

This is your life... GoPro. (GoPro: World's Most Versatile Camera, 2004)

This mission statement shows how the corporate leadership views the company, and where he plans on taking the company in the future. It defines what the company is and what it inspires to do. The statement allows for creative growth as well as distinguishing itself from other companies and its direction.

GoPro's objectives are clearly given through its vision and mission statement. GoPro plans to be an innovative leader in the sharing of life experiences. Creating an easy to use professional quality camera to share and capture those experiences. GoPro provides a camera that the everyday person can utilize and upload to social media, personal media, or wherever they chose. From beginning to end the user doesn't have to worry about highly technical issues such as professional camera parts, being a skilled photographer, " getting the angle", setting up the camera, paying for editing, etc. GoPro provides a camera that allows the user to be free of those expensive deterrents. The user becomes the adventurer, experiencer, photographer, editor, and artist, as well as the holder of the material. Making it easier for the user to " go pro" like a professional athlete/adventurer.

Company Composition

GoPro's corporate governance sets high standards for the company's employees, officers and directors. Their composition strategy and expectations of employees include honesty, integrity, and an open environment for whistle blowing. Their strategy on ethics is one that keeps company secrets away from competition, doesn't allow bribes, and conducts business with a morally strong attitude. On their website is a list of guidelines used to outlines its philosophies and business practices when it <https://assignbuster.com/gopro-inc-essay-sample/>

comes to governing the company. GoPro's governance consists of a committee, board of directors, and upper division executives. The committee composition looks as follows:

The committee performs tasks such as auditing the company, nominations of governance, and the creation/allocation of compensation and leadership. The Board of directors, management, and analysts covering GoPro, Inc. consists of the following:

GoPro's IPO

Newer to the market, GoPro went public in 2012 at \$24 per share. The share price climbed to over \$48 by the fourth day. On day 5, its shares had sunk by around 10%; most likely due to short selling. According to Brian Solomon of Forbes, the utilization level (the share percentage available on loan actually being borrowed) nears a rare 100%. It is common that strong and sharp moves happen in the first days of securities lending activity especially with newly listed companies, but these figures are suggesting that many people are going after the stock (Solomon, B.). As of recently, the share price has hovered around \$39 and had a 5-day change of about negative 2.15%, as of August 12, 2014 (GPRO, 2014). While it's still well above its initial offering, GoPro stock has been far from reaching its expected value of \$60 per share. Only being on the market for 2 years, it is too early to speculate what its future holds for certain. In order to find out more we need to look deeper into the company structure and strategies, its competencies and weaknesses. We do this by applying the tools of strategic management such as matrices and fact gathering.

Matrices

Millions of people use GoPro's cameras and GoPro has found a special niche in an extremely competitive market. Smartphones have been the dominant recording device and camera that can almost do everything in little handheld device, but GoPro has found a way to enter the market and create a name for itself. In order to understand how GoPro has achieved this success we need to do an in-depth analysis. This analysis can also uncover how the company may fall short or what it can do to stay competitive and innovative.

GoPro's internal strengths include its supply chain, with its strong ability to control many aspects from the starting point of a camera to delivery at the warehouse. Nick Woodman, the CEO, has been able to tap into a unique market niche that he himself hails from, the extreme sport crowd. This crowd was looking for the specific technology that GoPro provided, a durable camera to film extreme events. Linking up with large distributors like Best Buy, Target, Amazon as well as local extreme sports shops, GoPro was able to launch itself into every extremist's hands. Now that the company has grown, the most important strength of GoPro is its brand name, which is synonymous with the extreme sports industry and making one's exploits public. (See Figure 2, Figure 18) While GoPro has strengths that made it a common name, some of its weaknesses include its cost of production and staying innovative. Due to high costs of production, the camera carries a hefty price tag and is often out of many consumers' budgets. With a hefty price tag, the camera quality still isn't the same as a professional DSLR camera, although it is much better than the competitions'.

Another weakness would be that GoPro is only known for its cameras, with such a strong brand name it is time for it to expand its product lines and build off of the name. While GoPro has found a strong niche market, in order to see growth it needs to expand to other consumer markets like the everyday Joe. Showing how the camera can be used for more than capturing extreme sporting events. (See Figure 2, Figure 18) The internal factors evaluation shows a number of 3.286, which falls on the higher side of the averages. The IFE represents how relevant the internal factors such as strengths and weaknesses are to the success of business operations. (See Figure 7) Going hand-in-hand with GoPro's weaknesses is its external opportunities. Opportunities of product line extension and expanding beyond athletes to the everyday user. More opportunities include global expansion, which GoPro has already started this process. Expanding with new services and technologies into new media channels such as YouTube, and creating a user service for GoPro's user films will allow the brand to expand even more. (See Figure 2, Figure 18)

Like any company or industry, the threats to GoPro include maturing markets. High product prices create sales cycles where people only splurge for the item during certain seasons such as Christmas. Other threats include increased labor costs and raw materials costs. This would increase GoPro's bottom line even more and raise its prices even higher. Filming during extreme sporting events will often have connection with injuries possible. This threat can be prevented through strong insurance and lawyers protecting the company. Most importantly, competition in the industry is GoPro's greatest risk. (See Figure 2, Figure 18) While its pretty expensive to

enter the industry, so the barriers to entry are high, large companies that are already in or near the industry can cross over and steal market share from GoPro. Using the competitive profile matrix and BCG matrix we can see which competitors in the industry are successful and growing and thus a threat to the GoPro's profitability. (See Figure 8, Figure 11, and Figure 12) The matrix shows that smartphones, being GoPro's major competitors, like the iPhone and Android, are sharing much of the market share. Other competitors such as extreme sports cameras like the Contour, are nowhere close to GoPro's numbers and not much of a worry.

The external factors evaluation shows a 2.305 and that the relationship of external threats and opportunities to the functional areas of GoPro's successful business functions is relatively average. (See Figure 6) The handheld camera industry generates a lot of cash. Using Porter's Five Forces analysis we can see that while a lot of profits are being generated, the industry itself is unattractive. (See Figure 3) With high barriers to entry being the only aspect that is attractive to the industry, supplier power and customer power is high due to so many substitutes. So it's interesting to note that GoPro was able to find an entrance into the industry and remain competitive. This is most likely because of his product differentiation from the normal smartphone, he created a camera that was just for filming and durable enough to be used anywhere. Unlike the smartphones, which are not durable, he created the unique market niche. Looking even further into the industry using a GE/McKinsey Matrix, we see that other factors are what create this profitability within. High market growth rate, market size and

global opportunities are fueling GoPro's profits. (See Figure 13, Figure 14) GoPro is between the G1 and G2 phase of the product life cycle.

Having its emergence period happen during the early-mid 2000s and creating an accelerated growth period from then until now. GoPro is on the move to internationalize and capitalize on that market which places them on the cusp of G2. (See Figure 15) There is still much more time in its future as long as it can stay innovative and anticipate consumer needs. The threat of reaching a mature market is in the distant future, but should still be thought of when creating strategies. Looking at the impact probability analysis, hitting a mature market would have a huge potential impact on the company, but the probability of it happening soon is low. (See Figure 5) While other threats, such as users getting injured, are on the opposite side of the spectrum, with high probabilities but low impact on the company.

Threats that are more probable and of large impact to GoPro would be an increase in labor/raw materials, rivalry of competition and new technologies. The SFAS matrix shows that the strategic factors that would make the strongest influence on the overall positive or negative success of GoPro in the long run would be again the mature markets, competition and utilizing its brand name. (See Figure 10) In the intermediary, users getting injured while filming and the cost of the camera have strong effects on success. In the short run, only being known for its cameras, only appealing to the extreme sports athlete and staying in that unique market niche alone have strong influences on whether GoPro is successful or not. Recommendations

Looking at the OSPP Matrix it is evident that GoPro has a competitive position in the long run. (See Figure 1) The intersection on the graph represents the center of gravity for the firm. GoPro's COG is at an average 3 for strategic posture, a higher than average 3.8 for future industry prospects, and an average 3 for strategic budget. This means that without changing anything, GoPro is at least average, if not above, for its future competitive position, if they were to make some adjustments they could greatly increase this position in the industry. Recommendations for GoPro would be to increase global sales, utilize the brand name and professional sponsorships abroad to really push that opportunity. To also use the brand name to expand into other product lines such as other extreme sports accessories or other types of cameras and accessories. As well as to build its reach through media channels and campaigns. The great thing about GoPro is that its users basically do the advertising for the company by creating films with the product, all they need to do is have more places to share them and the brand name gets an even stronger reach.

Another recommendation would be to find ways to price differentiate or product differentiate so that they can capitalize on other consumer income segments and generate more profit. Cheaper more affordable products will eventually hit the market especially from companies from Asia such as Sony; in order to combat this GoPro needs to find a cheaper version or ways to lower the price. They might start to see growth stagnation as the consumer base stops growing due to this. Another way to avoid growth stagnation would be to create a product line that is for other consumers beside the extreme sport enthusiast, such as the house mom who wants to record her

kids sporting events or babies as they grow or other types of consumers.

Conclusion

GoPro has transformed and is continuing to transform the way people capture, manage, enjoy and share momentous life experiences. They do it by allowing people to capture these moments with ease and quality technology. GoPro's financials show that people are excited about being able to capture these moments and are buying up the products like crazy. (See Figure 19) In 2014 they were operating with 52 days of inventory and a turnover of 6 times a year. Not to mention \$152. 70 of the revenue comes from the Americas alone. The company began as a way to capture fun moments and sporting events and has grown to represent so much more. Turning a surf bum living in a van to a billionaire. GoPro has changed the way the camera industry operates, how the extreme sport industry operates and has enabled the consumer to make videos like a professional.

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