

Introduction

In the early 2000s, CEO and founder Nick Woodman created not just a novel, durable device, but an entirely new market: the action camera.

The company grew rapidly until 2014 and became ubiquitous at ski resorts, surf spots, adventure destinations and with extreme sports. With the assistance of hundreds of sponsored athletes, GoPro's mission is to allow people the freedom to capture and celebrate moments of their lives (8).

GoPro believes that their cameras, apps, accessories and newly released drones will help people to transform the ordinary into the extraordinary and will allow them to share their experience in a more fun way (9).

According to their CEO, GoPro aims to, "Help our consumers capture and share experiences is at the core of our business. We are committed to developing solutions that create an easy, seamless experience for consumers to capture, create and enjoy engaging personal content. When consumers use our products and services, those products and services enable compelling, authentic content that organically increases awareness for GoPro, driving a virtuous cycle and a self-reinforcing demand for our products. We believe revenue growth may be driven by the introduction of new cameras, drones, accessories and software applications. We believe new camera features drive a replacement cycle and attract new users, and mobile editing

solutions, auto-upload capabilities, local language user-interfaces and voice recognition in multiple languages drive the expansion of our total addressable market (6).”

Industry Analysis

The live action camera found its niche in the camera and film industry through providing consumers with the ability to record and take up close pictures of activities like surfing, biking and skiing. The specially designed cameras are small, easy to operate, and are built to withstand extreme weather conditions.

A majority of the action camera vendors are based out of North America, specifically the United States. With this, North America accounts for 40% of the global market and the U.S. receives just over 50% of all action camera shipments (1).

From 2010 to 2016 the total unit shipments of cameras have plummeted from around 120 million units worldwide per year to less than 25 million (3). This is due to the action camera industry having had a very rapid growth stage, and now settling into the maturity stage of the product cycle. This could in part be due to the quality of the cameras. After the first release of the 1080 full hd GoPro, customers found no reason to buy the new versions when the first ones had such high quality.

Competition

The popularity increase of the live action camera trend brought on new competitors who realized that there was a real demand present in the market. Brands like Ion, Sony, Polaroid and even new startup companies started to release their own version of the action camera within the last decade. These companies alone provide GoPro with a lot of competition. For example, Ion developed their first camera in 2012 and within just 2 years they captured 12% of the market's

shares (2). However, the new technological development occurring in the production of smartphones is one of the biggest threats to the existence of the company. Smartphones are starting to incorporate waterproof technology with camera specifications that match or surpass many of GoPro's. Slow motion and high definition video recording is available on most newer smartphones.

The difference between GoPro and its competitors is seen through price and usability. GoPro offers higher priced action cameras with technology that allows consumers to capture high quality video. However, beginners have found these features to be overwhelming and agree that GoPro appeals more to videographers and photographers who are already familiar with similar technology (5). Polaroid offers a "Cube" that comes with easier to use features and it is priced at \$100 which is much less than what GoPros are priced at. The action camera industry is an innovation driven market, new technology is constantly being developed and the next big thing is right around the corner. In order to drive revenue up and maintain their leading market share GoPro will have to find a way to compete with the lower end of the markets prices while offering a superior product.

GoPro has the leading market share in the action camera industry with 42.3% (2). They have stayed a top competitor due to multiple camera releases this year along with the technology repair for the Karma drone which allowed them to put it back on the market. In 2010 the Iphone 4 was released and this directly affected the sales and technology market share statistics for big name camera brands, including GoPro.

Marketing Environment

Social Forces. A new social trend that can be seen on almost all media outlets is Blogging and Vlogging (video blogging). GoPro has saturated the extreme sport market. By expanding their target market to appeal to a wider variety of consumers they can attempt to increase their sales. GoPro has a good opportunity to advertise to more families and the generation of avid social media users in order to expand their popularity.

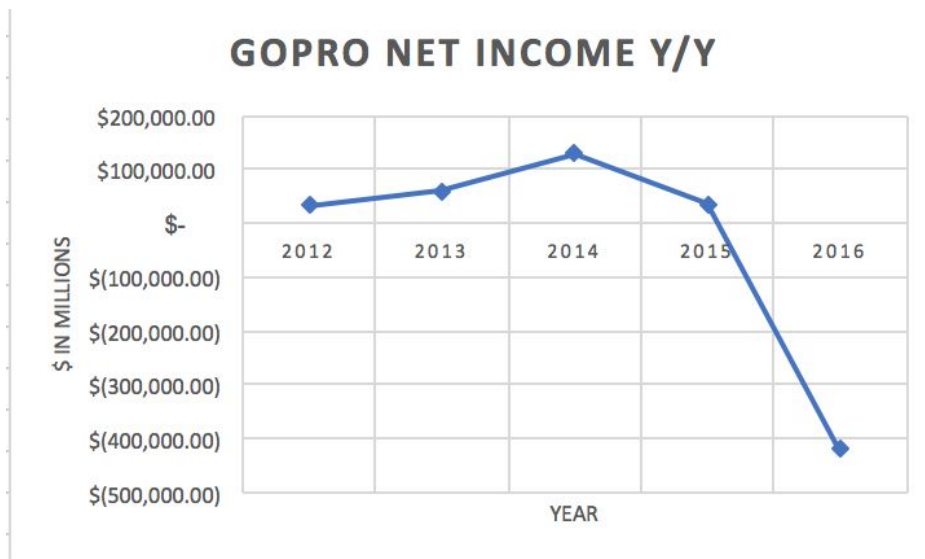
Technological Forces. In order to stay relevant in the industry, GoPro has to continue to update their products and the technology in them. In this modern era the bigger and better piece of technology is just around the corner. Developing new products allows for the company to stay ahead of their market. An example of this would be the Karma drone, the GoPro Hero 5 and the GoPro Hero 6 launching in 2017 alone. This is the main reason why the company has chosen to spend \$359 million pursuing better technology.

Economical Forces: GoPro's cameras are on the more expensive side when looking at all of the brand options in the market. GoPro prides themselves on developing easy to use technology and they are constantly attempting to improve their products. The price of the product has proven to not turn away consumers due to the appeal of what they provide, loyal consumers want to stay updated with the releases.

Positioning: The company is currently filling a very "niche" segment of the camera industry. Solely focusing on the development of action cameras has contributed to the company's large growth. However, less growth in percent time forces GoPro to reconsider. The company has a rare opportunity to branch out and appeal to much bigger market segments should they chose to reposition themselves (as we will discuss in the marketing plan segment).

Internal analysis

Over the last few years GoPro has seen a drop in their net income. As seen in the graph below the company saw a revenue drop with almost 500 million from 2015 to 2016 (6).

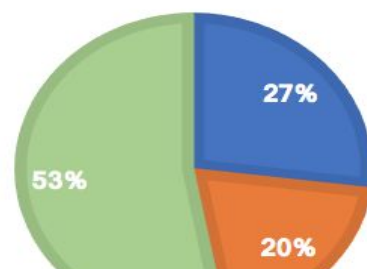


The factors that largely affected GoPro's drop in net income was lack of revenue growth while operation and R&D expenses continued to grow. On a more positive note, GoPro has seen a steadily growing gross margin and the company is currently operating with a healthy 39% margin, which makes its continued production sustainable. The company also saw a 28% reduction in units shipped (6).

In addition to this, GoPro is struggling with sales outside of the U.S. The population on other continents are vastly larger than that of America. Not being able to saturate these markets might prove to be a long-term issue for GoPro if the company wants to continue to see growth.

AMOUNT OF SALES IN DIFFERENT CONTINENTS

■ Europe ■ Asia and pasific ■ America



As seen on the graph above 53% of GoPro sales are located in America. GoPro is branching out to other countries but is not seeing the same response as it is in the American markets. A strategy to increase growth could be to increase advertisement in this geographical segment of their different market (6).

In conclusion, GoPro is a market leader in their product category. However, looking at the business they are a “sinking ship” with both revenue, net income and sales rapidly declining. In order to get back on track the company has to make a turn around. A fresh marketing strategy might be a good starting point as well as adding new products to their portfolio and continue to keep users engaged.

SWOT Analysis

Strengths

- GoPro is well established in its current market. Most people know what a GoPro is and what “want” they fulfill. In addition of being a market leader, they are also larger than any of their competitors.
- The quality of products that GoPro sells are significantly higher than a lot of their competitors. Their feedback on given products are largely positive.
- The great product quality that GoPro generally provides has created a loyal customer base for the brand
- Active customer base. GoPro actively engages with their consumers through their own platform where they highlight “videos of the day” which is user created.

Weaknesses

- They are struggling to branch out to other sectors. With failed launches such as the Karma drone, it is safe to say that GoPro is struggling to reach other market segments and branch out with new products.
- Single product oriented
- GoPro has a low market share in other segments of the camera industry. The company's products are exclusively action cameras.
- GoPro has over the last years seen a drastically declining net income.
- Their revenue stream is very consolidated with over half their sales happening in America. Europe with almost twice as many people should be a larger part of their revenue stream, but it seems like the company is struggling to branch out.
- Despite delivering strong products, their competitors compete by undercutting GoPro and offering to fulfill the same kind of need but at a much lower price than GoPro provides.
- The technology appeals to more advanced users.

Opportunities

- The virtual reality is a growing market that GoPro might be able to enter into with the Fusion introduced in September 2017: a 360-degrees camera capturing spherical photos and videos. This new camera differentiate itself from the other GoPro products and traditional smartphones.
- GoPro is considered as one of the most popular tool by Instagram users. The firm's Instagram page counts 13.4 million followers and 10.4 million likes on their Facebook page (10). This continually social media strength growth and the new photo/video editing

app “GoPro’s Quik” could support the company and reduce their spending in costly advertising on other platform.

- GoPro CEO Nick Woodman believes that the future of GoPro lies in live stream video. If Gopro adds this feature and create a stand-alone 4G camera, the firm could differentiate its cameras from other competitors and expand its margins.
- The Karma drone did not impress. The Karma drone was recalled after its initial launch in 2016. This made the customers and investors doubt GoPro’s ability to enter into the drone market. If the relaunch addresses all the issues the current drone is facing (price, battery and features), GoPro might take a bigger part of the drone market share in which DJI Innovations leads.
- 53% of GoPro sales are located in America. GoPro is branching out to other countries but is not seeing the same response as it is in American markets. A strategy could be to differentiate its product depending on the trends in other geographical locations in order to expand GoPro’s geographical reach.

Threats

- GoPro faces intense competition. Superior cameras are constantly released such as the Google Clips camera for lower prices than the high-end level ones offered by our firm.
- With the improvement of smartphone cameras, professional photographers and everyday people have have turned to smartphones to capture stills and videos.

Marketing strategy:

After careful consideration we believe that a repositioning of the brand would be the best course of action moving forward. We believe that the rapid decline in net income and sales are

mostly due to the fact that the company is close to full market saturation in its current product category. GoPro's entire brand is currently acting as a cash cow with high market share, but low market growth. Continued operations with a net loss of nearly \$450 million dollars is not sustainable long term, which calls for action to reverse this trend. In order to re-enter the growth stage as a company, we propose that over the next five years GoPro focus on moving away from the "niche" market segment that is action cameras, into cameras that can create value for a broad variety of market segments. This effort to reposition the brand will in the long term attract larger market segments and increase sales.

We realize that one of the largest threats when it comes to re-positioning is our competitors. We are a well established company. However, our market share in other camera sectors is vastly lower than that of our competitors. We think that we can overcome this threat based on our loyal customer base. GoPro has delivered a superior product compared to their competitors for almost two decades. The reputation of superior value can be carried over into the "everyday camera" category which we believe can give us a competitive advantage.

Specifically we believe that a the preferred focus group should be families. There are currently more than 125 million family households in the United States (7). A repositioning of the brand would make this market segment approachable. In order to create the most amount of value for this new segment we are planning to focus on developing new, family friendly cameras, that works great for everyday situations.

Action program

Over the next few months we plan to roll out advertisements for our new family friendly video and picture camera. We are changing the focus on live action videography to place more of

a focus on capturing everyday events. Our first commercial will include videos of a baby's first steps, family vacations, pictures of kids in front of the Christmas tree and other moments families feel are important to capture and savor. The appeal of the everyday camera that we will produce will not only be the size but also the superior image quality. You will not forfeit image quality that a Canon or Nikon would provide, it will just be much easier to bring Life 1 with you everywhere. Within the next three years we hope to establish a loyal customer base with a market cap of 10-15%. Within the next five years we plan to be a market leader by establishing a relationship with our consumers by proving our camera is the best.

We do not wish to get rid of our action camera we only hope to expand our company into different market segments that will allow us to continue to develop and grow.

Budget

Our current research and development budget amounts to \$358.9 million dollars. Our goal is to continue this amount of spending on products. However, we will delegate 70% of this budget to specifically create our new everyday camera. This means we will on average spend approximately \$250 million dollars/year for the coming five years to develop these products. In addition to this we are planning to change our current marketing strategy to focus on family friendly advertisement. The current marketing budget is \$369 million dollars . In addition to the \$250 million we plan on spending for R&D, we are delegating 70% of the marketing budget to these new products. This will leave a chunk for the action camera industry to make sure our stable revenue remains around 1.2 billion as of 2016. However, we will still use a majority of our budget to advertise for our new products.

Endnotes

- (1)
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