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STRATEGIC ANALYSIS PAPER

GoPro Inc. acquiring Snap Inc.

Strategic management and change

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Introduction and purpose

GoPro, Incorporated is an American company, headquartered in San Mateo, California. The company was founded in 2004 with the aim of providing a system for the users to capture close shots quality action. According to the course case book, this idea came to the CEO Nick Woodman during a surfing trip. Today, GoPro produces a large variety of cameras and accessories, mostly for outdoor activities and is even developing a GoPro Channel App to allow its customers to share their videos. Those products are sold through retailers, wholesalers and through its website. The company has expanded its global reach, reaching more than 40,000 retail outlets. GoPro is competing in the camera industry and has been the leader in the camcorder market for many years. GoPro has constantly developed technology to increase the quality of its products.

The goal of this paper is to determine if GoPro should pursue a horizontal integration strategy to help the company's growth and increase its control over its distributors, suppliers and competitors. To do so, GoPro consider the acquisition of another company, which is Snap, Inc. Through the help of analytics tools, both companies will be examined and evaluated to be able to make the best decision possible. The analysis will follow the same plan which will consist of an evaluation of the mission/vision, an evaluation matrix of the external and internal factor, a financial ratio analysis and a SWOT Matrix. Then a comparison of these information will allow to evaluate the benefits, the strengths and cautions regarding the acquisition.

1. Evaluation of Vision/Mission statement

The course casebook states that “It does not appear that GoPro has a vision statement”. But the company uses often the following slogans “Be a hero” and “GoPro”, so arguably, GoPro’s vision might be one of the slogan or both to help the GoPro’s users to be heroes or to look professional. To look professional because of the cameras that allow customers who are average person to take professional quality, close shots. And to be heroes because, like mentioned earlier, GoPro camera are used mostly in outdoor activities that requires courage and therefore inspire others who are the viewers of the videos.

The following statements are from GoPro’s website and support the idea of being heroes:

- GoPro frees people to celebrate the moment, inspiring others to do the same. From cameras and drones to apps and accessories, everything we do is geared to help you capture life as you live it, share the experience and pass on the stoke. We believe that sharing our experiences makes them more meaningful and way more fun.
- it’s the millions of passionate GoPro users around the globe who bring the magic to life. They humble and inspire us every day with incredible creativity that helps us see the world in an all-new way.

It is not a good point that GoPro vision statement is not clearly expressed because the vision of the driver, what guide the whole company. And if we decide to use the slogans “Be a hero” and “GoPro” as vision statements, the vision is too indistinct especially if you hear it without the context. A good vision statement should be a motivator for the employee, management and shareholders. It must also reveal what type of business the company is in. GoPro vision does not include the type of business the company is in and what the company want to become. A positive point is that it includes the benefits of the product for the customers.

So, the vision has an impact on the customer but does not provide the foundation for developing a good mission statement.

A probable GoPro mission statement based on some company narrative will be: “Enabling engaging content is at the core of our business. We develop hardware and software solutions to alleviate consumer pain points associated with capturing, managing, sharing and enjoying engaging content.”

The different components for an effective mission statement must answer to the following questions: (1) Who are the firm’s customers? (2) What are the firm’s major products or services? (3) Geographically, where does the firm compete? (4) Is the firm technologically current? (5) Is the firm committed to growth and financial soundness? (6) What is the firm’s philosophy? (7) What is the major competitive advantage of the firm? (8) Is the firm responsive to social, community and environmental concerns? (9) Are employees a valuable asset of the firm?

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GoPro mission statement comprise only 29 words which is not long enough to include all the components. In fact, GoPro lacks 6 components in its statement: (1) Customers, (3) Markets, (5) Survival growth and profitability, (6) Philosophy, (8) Public image and (9) employees. GoPro mission statement appears to be a weak one as it only mentions that the company enable engaging content twice in the 29 words. Reading this statement from every perspective of the stakeholders may be confusing since it is vague and not reconciliatory.

External Factor Evaluation

An external Factor evaluation allows to summarize and evaluate key external factors including opportunities and threat for the firm. The first step is to identify a list of those external factors. The factors that GoPro is facing are listed in table 1. Each factor is assigned a weight that ranges from 0.0 to 1.0 based on its participation to the success of the company in the industry. Each factor is also assigned a rating between 1 and 4 that evaluate whether or not the firm's current strategies respond to the factor. A superior response is rate 4, a poor response is rate 1 and a rate of 2 and 3 correspond respectively to an average response and an above average response. Then, we multiply each factor by its rating to determine a weighted score. The total weighted score is the result of the sum of every weighted score. This number help determine if the current's strategy deal effectively with the existing opportunities and the external threats. The highest total weighted score is 4, the lowest one is 1 and the average is 2.5

Opportunities	Weight	Rating	Weighted score
Video content are more and more popular on social media	0.15	4	0.6
International markets' revenue growing and offering a possibility of growth	0.15	2	0.3
America is becoming more health-conscious, spending more time enjoying outdoor sports and activities	0.07	3	0.21
Scuba industry is growing, and scuba divers purchase GoPro camera to film their adventure	0.04	4	0.16
The acquisition of General Things, Inc. favour the development of editing and sharing software capabilities	0.06	2	0.12
Increase in E-Commerce allowing GoPro to sell more products directly through its website	0.08	2	0.16
Threat			
GoPro products are not yet available in all nations	0.13	2	0.26
Digital camera sale is falling globally from 121.5 million in 2010 to 19.4 million in 2018	0.1	3	0.3
Demand for camcorder is volatile, depending on the season	0.08	4	0.32
Competition is increasing, especially with the improvement of smartphones	0.06	2	0.12
The selling of drones with its own cameras by SZ DJI, cutting GoPro out of one of its largest drone-producing customers	0.04	1	0.04
GoPro relatively low resources compared to Rival Firms	0.04	2	0.08
	1		2.67

The information on the EFE come from the company's annual report and the casebook.

The EFE matrix shows that GoPro has two major opportunities that are: social media and the international market. In fact, social media allow users to share with their friends and followers any content that they want including images, videos or text. And the amount of videos sharing has been increasing. It is common to see on Facebook or YouTube videos of people enjoying their vacations, doing extreme activities etc. GoPro has facilitated the spread of its products by establishing strong marketing relationships with celebrities and athletes and with the help of its

customers. Top extreme athletes and entertainers like Shawn White and Alton Brown have endorse GoPro products. Also, customers were able to submit video on GoPro website and advertise GoPro in their videos. So GoPro has a strong strategy that responded to social media by promoting sharing of social media. Facing the opportunity of a global reach, GoPro have expanded its activities to Europe, the middle east, Africa, Asia pacific. This is good but not enough because the company is not available in all nation, which become the firm's largest threat. It gives the opportunity to competitors to enters those nations and gain a monopoly. In fact, GoPro's global market share for digital cameras and camcorders is only 7 percent. Other opportunities for GoPro concern a change of trends in American's habits. American are increasingly adopting a healthy lifestyle that include staying fit with the help of outdoor activities. It is estimated that 20% of the US population will engage in outdoor sports by 2020. By selling a large variety of camera and equipment to mount the cameras depending on the activity, GoPro strategy is responding well to this opportunity. One outdoor activity that represent a great opportunity is the scuba industry, this industry have been growing during the last decade and consist of a memorable activity that mot divers want to share with other people. As a consequence, GoPro camera sells cameras that are waterproof and also sell scuba diving filters. So this is a great response from GoPro to this opportunity. Some opportunities that GoPro should exploit more are the e-commerce that can allows the firm to have a worldwide reach and reduce the costs through a forward integration.

The biggest threat for GoPro which was already mentioned is the fact that the company is not available everywhere, giving opportunities to competitors to lead in the areas GoPro is not established. However, depending on the response, this can be turned into an opportunity

as a market share growth is possible. For the moment, GoPro's establishment in international markets is not strong enough. The second and third threat GoPro is facing is related to the demand. In fact, the demand for digital camera has decrease during the past years, this might be due to the fact that once a customer have purchased a camera, he does not need to get another, GoPro have dealt greatly with this issues by providing every year an upgraded version of its products which give incentive to the customer to purchase. Another alternatives to digital camera are smartphones. New generation smartphones combine the usefulness of a phone and high-quality camera. GoPro's cameras are constructed with durable material capable of resisting extreme conditions, this is an acceptable response to this threat but not strong enough to be considered as superior due to the fact that the convenience of phones remain a concern. The demand for camera is also volatile, sports events and season favor or disfavor the sale of the camera. GoPro's strategy is strong in regard to this threat because the firm use public athletes during those events to promote its product and have a large variety of products to adapt every activities according to the season. The last two threats for GoPro concern the concurrence. In fact, through product development, GoPro develop lot of new product including drones equipped with camera. But one of the largest markets have already been introduced to this type of revolutionary product, making difficult for other companies to compete. GoPro's resources are also limited compared to its main competitors. Table 2 is based on the different companies' documents and was provided in the study case book, it shows that GoPro might not be able to compete in the long run with its rivals since they have significantly less employees and capital. There is not a great number of possible responses to the last 2

threats, but GoPro's response is not considered appropriated because there is nearly no response at all from GoPro.

Table 2. GoPro versus Rival Firms in 2015

	GoPro	Canon	Apple
# Employees	970	190,000	92,000
\$ Net income	128M	2,200 M	39,500 M
\$ Revenue	1.4 B	35.5 B	182.8 B
\$ Revenue/Employee	1.44 M	186,842	\$ 2M
\$ EPS Ratio	0.92	1.91	7.39
Market Cap.	5.7 B	36.0 B	692.7 B

The total weighted average score for GoPro is 2.67. This score indicates that GoPro does not exploit enough its opportunities to strive in the industry. The fact that the score is slightly above 2.5 give hope and leave a lot of room for improvement.

Internal Factor evaluation

The internal Factor evaluation studies the functional areas of a business. The purpose of the Internal Factor Evaluation Matrix is to provide important information for strategy formulation. The IFE Matrix summarizes and evaluates the major strengths and weaknesses of a business. Five step are required during an IFE, those steps are: an identification of key internal factors including strengths and weaknesses, a weighing of each factor from 0.0 (not important) to 1.0 (all-important); the weight indicate the importance of the factor in the company's success, then a rate from 1 to 4 that indicate if the factors is a strengths or a weakness (1=major weakness, 2=minor weakness, 3=minor strengths, 4=major strengths). The next step is to multiply for each factor the weight by the rate to obtain a weighted score. The total

weighted score is the sum of each factor's weighted score and represent how strong or weak the firm is internally. The lower the weaker and vice versa, 2.5 being the average.

Table 3: IFE Matrix for GoPro

Strengths	Weight	Rating	Weighted score
GoPro provided an innovative technology	0.11	4	0.44
GoPro offers a large variety of products	0.06	3	0.18
GoPro.com revenues have increased by %50	0.07	4	0.28
GoPro profits are mostly realized during Q4 of the year	0.07	3	0.21
2018 Q4 revenue experienced 13% increase compare to 2017 Q4	0.08	3	0.24
GoPro have experienced an increase in revenue in foreign markets	0.06	3	0.18
Weaknesses			0
GoPro has experienced net losses for the last 3 years	0.12	1	0.12
Revenue in domestic market is down 16%	0.08	2	0.16
GoPro.com contribute to less than 10% of total revenue	0.06	1	0.06
Decrease in total assets from 2016 to 2018	0.12	1	0.12
GoPro removed its drone from the market	0.08	2	0.16
Decrease in average selling price	0.09	1	0.09
	1		2.24

The IFE Matrix indicate that GoPro biggest strength is the fact that the company introduced the market with an innovative technology that allow to compete with the big giant in the camera industry. GoPro is so convenient and unique that the GoPro camera itself consists of a market and has no direct competitor. Excited about the success of its products, GoPro has developed a large variety of products that supported its previous products and supported outdoor activities. This strengthened the bond between the company and its customers who became loyal to GoPro. Another positive point for GoPro is the increase in sale through GoPro.com. E-commerce has significantly improved the way of doing business and GoPro is

exploiting this trend and has increased its online sales. Also, GoPro revenues in EMEA and Asia and Pacific have increased as table 4 shows (Table 4 was extracted from GoPro 10k annual report). The last two strengths of GoPro are related to the seasonality; GoPro have experienced profitability during the last quarter of the year and this have been the case historically. The profitability in the last quarter of 2018 have even increased by 13%. This profitability can be explained by the fact that the last quarter of the year coincide with the holiday shopping season.

Table 4

Americas	\$	498,633	\$	591,879	\$	619,784
<i>Percentage of revenue</i>		<i>43.4%</i>		<i>50.2%</i>		<i>52.3%</i>
Europe, Middle East and Africa (EMEA)	\$	366,037	\$	334,872	\$	366,352
<i>Percentage of revenue</i>		<i>31.8%</i>		<i>28.4%</i>		<i>30.9%</i>
Asia and Pacific (APAC)	\$	283,667	\$	252,990	\$	199,345
<i>Percentage of revenue</i>		<i>24.7%</i>		<i>21.4%</i>		<i>16.8%</i>
Total revenue	\$	<u>1,148,337</u>	\$	<u>1,179,741</u>	\$	<u>1,185,481</u>

GoPro weaknesses mainly involve the financial performance of the company. GoPro have experienced net losses during the last year. This trend does not give high expectations for future profits and investor will think twice before investing in the firm. If the foreign markets have seen an increase in revenues, for the domestic market it was the opposite. America used to provide more the half of GoPro's revenue, in 2018 the revenues have decreased by about 15% and the percentage of revenue is 43.4% (annual report). Due to the losses that occurred, GoPro has removed some of its products that were not successful from the market. One of those products was the Karma drone. Other initiatives from GoPro to deal with the losses were

to close some facilities, reduce the number of employees, reduce the average price of its products. The consequence is a huge decrease in the firm's total assets. GoPro have been struggling the past years resulting in many weaknesses.

The overall weight score for GoPro in the IFE is 2.24. This is below the average due to past year performance.

Financial ratio analysis

Table 5: GoPro, Inc. Financial ratio

Ratio	2018	2017	2016
Current Ratio	1.58	1.55	1.36
Debt-to-Total-Assets ratio	0.7	0.64	0.51
Total Assets turnover	1.64	1.39	1.28
Gross Profit Margin	31.47	32.59	38.96
Net Profit Margin	-9.94	-15.5	-35.34
Sales	-2.6	-0.04	-26.82
Net Income	40%	56%	-1259.68%

Table 5 represents different financial ratios and how those ratios have changed from 2016 to 2018.

The current ratio shows how likely the company will be able to meet its short-term obligation. A ratio superior to 1 indicate that the company can pay off its current liabilities with its current

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assets with an excess. This is the case for GoPro, that is a positive point, and even more positive is that the trend is negative.

The debt-to-total asset ratio represents the percentage of total assets that the creditor has provided to GoPro. This ratio has increased during the last two years proving that GoPro is a risky company. But it may have been necessary for GoPro to borrow more to finance its growth. The total asset turnover has significantly increased in 2018, this means that GoPro is using its assets more efficiently since the volume of business generated exceeds the size of the asset investment. The next ratio is the gross profit margin, this one has remained steady and relatively low in the last two years, this is because the cost of revenue is relatively high. The net profit margin shows a real improvement, this improvement indicate that GoPro is improving its efficiency after experiencing an all time low in 2016. The last two ratio are growth ratios; sales growth measures the firm's growth rates in sales and net income measures the firm's growth rate in profits. 2016 was the worst year for GoPro with a net income growth of -1250%. After 2016, the company have been forced to adopt new strategies that show improvement even though GoPro is still having net losses.

All the ratios have been calculated using data from GoPro, Inc balance sheet and income statements reported in the company's annual report.

SWOT Matrix Evaluation

Table 6: SWOT Matrix for GoPro

	Strengths	Weaknesses
	<ul style="list-style-type: none"> *GoPro provided an innovative technology *GoPro offers a large variety of products *GoPro.com revenues have increased by %50 *Gopro profits are mostly realized during Q2 and Q4 of the year *2018 Q4 revenue experienced 13% increase compare to 2017 Q4 *GoPro have experienced an increased in foreign markets 	<ul style="list-style-type: none"> *GoPro has experienced net losses for the last 3 years *Revenue in domestic market is down 16% *GoPro.com contribute to less than 10% of total revenue *Decrease in total assets from 2016 to 2018 *GoPro removed its drone from the market *Decrease in average selling price
Opportunities		
<ul style="list-style-type: none"> *Video content are more and more popular on social media *International markets' revenue growing and offering a possibility of growth *America is becoming more health-conscious, spending more time enjoying outdoor sports and activities *Scuba industry is growing, and scuba divers purchase GoPro camera to film their adventure *The acquisition of General Things, Inc. favor the development of editing and sharing software capabilities *Increase in E-Commerce allowing GoPro to sell more products directly through its website 	<ul style="list-style-type: none"> Develop software that support and interconnect all GoPro products Increase presence on international markets Determine factors that cause seasonality to spread those throughout the all year 	<ul style="list-style-type: none"> Increase the online presence Focus on the most successful products
Threats		

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<ul style="list-style-type: none">*GoPro products are not yet available in all nations*Digital camera sales are falling globally from 121.5 million in 2010 to 19.4 million in 2018*Demand for camcorder is volatile, depending on the season*Competition is increasing, especially with the improvement of smartphones*The selling of drones with its own cameras by SZ DJI, cutting GoPro out of one of its largest drone-producing customers*GoPro relatively low resources compared to Rival Firms	<ul style="list-style-type: none">Develop more products other than cameraCompete aggressively in areas of competence	<ul style="list-style-type: none">Improve the quality product to increase the priceBase the production on seasonality
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The alternatives strategies that can be used are mainly focusing on a product and increasing products quality and performances to provide incentive for current and potential customers

Strategic analysis of Snap, Inc

Snap Incorporated is an American company headquartered in Santa Monica, California. The company was founded in 2011. The company refers itself as a camera company and have many products including: Snapchat, Discover, Memories and Spectacles. Most of the products support Snapchat, which is the most successful one. Snapchat is a camera application that allows users to communicate with friends and family through short and temporary videos and images.

Evaluation of Snapchat mission statement

As stated on the company's website and annual report, Snapchat's mission statement appears to be:

Snap Inc. is a camera company. We believe that reinventing the camera represents our greatest opportunity to improve the way people live and communicate. We contribute to human progress by empowering people to express themselves, live in the moment, learn about the world, and have fun together.

In the way that the flashing cursor became the starting point for most products on desktop computers, we believe the camera screen will be the starting point for most products on smartphones. This is because images created by smartphone cameras contain more context and richer information than other forms of input like text entered on a keyboard. Given the magnitude of this opportunity, we invest heavily and take big risks in an attempt to create innovative and differentiated camera products that are better able to reflect and improve our life experiences.

Snap's mission does not specify a category of customers but mentioned the word human meaning that the company intend to cross international and generational barriers which is a good point since everybody can use Snapchat. Snap specify that the company is offering camera products. Geographically, the statement implies the world. "Innovative and differentiated camera products" are indicator of the technology and self-concepts. On the philosophical level, Snap empowers people. What the company's statement lack is the survival, growth and profitability, the public image and employee section. In fact, the statement talks a lot about the users but that do not mention how the company make revenues through advertisements. The statement is fairly good with 6 out of 9 items.

External Factor Evaluation

Table 7. EFE Matrix for Snap Inc.

	Weight	Rating	Weighted score
Opportunities			
Video content are more and more popular on social media	0.19	4	0.76
Internet enable worldwide reach	0.1	3	0.3
Intellectual Property right that protect priority rights of Snap Inc.	0.07	3	0.21
Social media marketing is increasing	0.15	4	0.6
Decrease in unemployment rate and increase in consumer spending	0.06	3	0.18
Threat			
Current and potential competitors have significantly greater resources and broader global recognition	0.08	2	0.16
Foreign laws and regulations are often more restrictive than those in the United States.	0.06	1	0.06
Competitors stealing Snap concept	0.1	3	0.3
Users may interact directly with advertisers	0.11	3	0.33
Rapid international expansion may favor wrong judgement	0.08	2	0.16
	1		3.06

The EFE matrix shows the biggest opportunity for Snap is the popularity of social media and content sharing. Those information are provided by the company's annual report. Snap offer many products that facilitate the sharing of media among users rapidly increasing the user base. The fact that Snap is used on smartphones is a huge opportunity for Snap. Smartphone have access to the Internet and through internet, we are able to communicate with the world. Snap therefore helps users to have a visual access everywhere. Since Snap have a large user

base, it is easier to attract advertisers. Those advertisers see Snap products as an opportunity to create a relationship with potential new customers. The unemployment rate in the US have been decreasing meaning more people have a job and a source of income, therefore their consumption increase. Marketers see this as an opportunity and invest more in advertisement, Snap benefits from this opportunity because it offers a platform for marketers in exchange of payment from them. Another opportunity is the intellectual property right. As mentioned in the annual report, "Snap rely on a combination of intellectual property rights in the United States and other jurisdictions, including patents, trademarks, copyrights, trade secret laws, license agreements, internal procedures, and contractual provisions. Snap also enter into confidentiality and invention assignment agreements with employees and contractors."

Concerning the threats, the main one is that the users interact directly with the advertisers. This will eliminate the role of Snap as a third party and since the firm's revenue are mostly generated by advertisement, this will negatively impact the firm. Snap strategies to attract and keep users is by adding innovative content constantly. By doing so, they also reduce the effects of the competitors trying to copy Snap Product. In fact, Facebook, Instagram and Whatsapp introduced products similar to Snapchat. By differentiating, Snap is able to retain its users. Another threat from the competition is the larger resources they have, that might make difficult for Snap to compete in the long run. International expansion also raises some concern, since the company rapidly expanded and opened office in different countries. There is the concern that the employee recruitment process was not thorough, that can affect the company's culture and image. Also, Foreign government initiatives to restrict access to Snapchat in their countries is another concern.

Snap's total weighted score is 3.06 which indicate that Snap's response is above average regarding the opportunities and threats.

Internal factor evaluation

Table 8. IFE for Snap

Strengths	weight	Rating	Weighted score
Advertising revenue account for 99% of total revenue	0.15	4	0.6
Overall advertisements tend to be strongest in the last quarter of the year	0.07	3	0.21
Snapchat have partnership with providers like Google and Amazon	0.11	4	0.44
Snapchat is well-known and used worldwide	0.09	4	0.36
Culture that encourage employee's participation in projects	0.05	3	0.15
Snapchat is free to join	0.1	4	0.4
Weaknesses			
Growth rate of users is declining	0.07	2	0.14
Snap depend on the functionality of an electronic device	0.07	2	0.14
Lower user engagement is observed during the summer	0.05	2	0.1
Co-founders have control over all stockholder decisions.	0.11	1	0.11
In all Snap's history, the company have experienced net losses and negative cash flows from operations	0.13	1	0.13
	1		2.78

The IFE reveal that the biggest strengths of Snap are the advertisement that generates revenues, the brand name worldwide known, the fact that most of the products are free to the users, and some partnerships with Google and Amazon to provide several operation facilities. Those strengths are all rated 4 because crucial to Snap's success. Other strengths include the

seasonality, stronger in the last quarter of the year and the organization culture the encourage innovation.

The biggest weaknesses of Snap are likely to discourage potential investors. Since its foundation, the company have never experienced profits and have a negative cash flows from operations. The company's Co-founders also have control over all stockholder decisions because they own the majority of the company's stocks. From the investors point of view, investing in a company that have been around for almost 10 years without experiencing profits is a risky investment, adding the fact that the investors do not have a significant impact of the decisions. That's why those weakness have been rated 1. Other weaknesses include the decline in growth rate of users, the seasonality and the fact that Snapchat depend on a smartphone.

The total weighted score for Snap is 2.78 indicating that Snap is fairly strong internally.

Financial ratio analysis

Table 9. Snap Inc. Financial ratios

Ratio	2018	2017	2016
Current Ratio	5.72	6.83	7.52
Debt-to-Total-Assets ratio	0.15	0.12	0.11
Total Assets turnover	0.43	0.24	0.23
Gross Profit Margin	32.32	13.02	-11.66
Net Profit Margin	-106.39	-417.6	-127.23

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Sales	43.09%	103.95%	589.50%
Net Income	64%	-569%	-38.01%

Snap have strong liquidity ratios; the firm is largely able to meet its short-term obligation. Positive point for Snap, an inconvenient is that the current ratio is decreasing. The total debt to total assets is really low, this indicate that only a small portion of the total fund are provided by creditors. This will allow the company to borrow whenever they want to adopt an aggressive strategy. The total asset turnover has doubled during the past year, this is encouraging but the percentage is still low. Snap is still trying to figure out how to use its assets efficiently to generate more revenues, they may have found the right way to do so during the past year. The gross profit margin has increased from negative to positive from 2016 to 2017 and still experienced growth in 2018. The profit margin was down to -417% and increase to about -106%. In overall the profitability ratios show an amelioration in 2018. The trend is the same for the growth ratio, 2017 has been a tough year for Snap that experienced huge losses. But the increase in growth prove that Snap is becoming more efficient.

All of the financial calculations included data that were extracted for Snap Inc balance sheet and income statement as reported in the firm's 10k annual report.

Swot Matrix evaluation

Table 10 on the next page show the SWOT Matrix for Snap Inc.

Table 10. SWOT matrix evaluation for Snap

	Strengths	Weaknesses
	<ul style="list-style-type: none"> *Advertising revenue account for 99% of total revenue *Overall advertisement tend to be strongest in the last quarter of the year *Snapchat have partnership with providers like Google and Amazon *Snapchat is well-known and used worldwide *Culture that encourage employees participation in projects *Snapchat is free to join 	<ul style="list-style-type: none"> *Growth rate of users is declining *Snap depend on the functionality of an electronic device *Lower user engagement is observed during the summer *Co-founders have control over all stockholder decisions. *In all Snap's history, the company have experienced net losses and negative cash flows from operations
Opportunities		
<p>Video content are more and more popular on social media</p> <p>Internet enable worldwide reach</p> <p>Intellectual Property right that protect priority rights of Snap Inc.</p> <p>Social media marketing is increasing</p> <p>Decrease in unemployment rate and increase in consumer spending</p>	<p>Selling platforms through the application</p> <p>Add costly content</p>	<p>Increase advertisers' partnership</p>

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Threats		
Current and potential competitors have significantly greater resources and broader global recognition Foreign laws and regulations are often more restrictive than those in the United States. Competitors stealing Snap concept Users may interact directly with advertisers Rapid international expansion may favor wrong judgement	Partnership with some competitors to share resources Adapt the policy and confidentiality to foreign laws	Provide unique content Focus on main product

The SWOT analysis different strategies that Snap can implement in the future. Those strategies depend on which quadrant of the SWOT matrix, Snap want to focus on. A strength opportunity strategy will consist of a product development strategy to increase the sales by improving present products or developing new ones. A strength-threat strategy will be a horizontal integration by having access to competitors' resources. A weakness-opportunity strategy is also a product development to increase sales. And a weakness-threat strategy is a retrenchment to cut cost and asset in order to reverse declining sales and profit. A divestiture is also applicable to focus on the main products.

Comparison/contrast of GoPro and Snap

GoPro and Snap have a strong position in the market they compete in, they both entered the industry by providing innovative technologies to the customers and users. They both compete in the camera industry; GoPro produces cameras and Snap provide camera

software. They are also competitors with their diversification strategy because GoPro also develop camera software and Snap developed glasses that can function as a camera. GoPro and Snap have both encountered difficulties to attract as many customers as they use to; the demand is growing at a declining rate. From 2016 to 2018, GoPro have an increasing profitability while Snap profitability has not been declining in 2017 and increasing in 2018.

Debts are a large portion of GoPro total asset, in the meantime Snap have a low amount of debt in comparison with the firm's total assets. GoPro total assets equals \$698,359 while Snap totals assets is \$3,421,566. Snap assets is approximatively 5 times larger the GoPro total assets. GoPro enregistered more sales revenues and less net losses than Snap, however the gap between both firm's sales revenue tightened in 2018. But Snap operating expense have been increasing at a really fast rate.

The following tables present the Competitive profile Matrix for GoPro and Snap. The purpose of the CPM is to compare a firm to its major competitors in term of strengths and weaknesses.

The weights and total scores in both the CPM and EFE have the same meaning, the difference is that CPM include both internal and external issues.

Table 11 Competitive Profile Matrix for GoPro

		GoPro		Sony	
Critical success factors	Weight	Rating	Score	Rating	Score
Product quality	0.2	4	0.8	4	0.8
Price	0.1	4	0.4	3	0.3
Global expansion	0.2	2	0.4	4	0.8
Market share	0.1	2	0.2	3	0.3
Customer loyalty	0.15	4	0.6	2	0.3
Financial position	0.1	2	0.2	2	0.2
E-commerce	0.15	1	0.15	3	0.45
	1		2.75		3.15

Table 12. Competitive Profile Matrix for Snap

		Snap		Facebook	
Critical success factors	Weight	Rating	Score	Rating	Score
Product quality	0.2	4	0.8	4	0.8
Price	0.1	4	0.4	4	0.4
Global expansion	0.15	3	0.45	4	0.6
Market share	0.05	3	0.15	4	0.2
Customer loyalty	0.2	2	0.4	3	0.6
Confidentiality issues	0.15	3	0.45	2	0.3
Profitability	0.15	1	0.15	3	0.45
	1		2.8		3.35

Both Competitive Profile Matrix show that GoPro are above the average but have a weaker score than the competitors. This does not necessarily mean that the competitors are much better. Sony for example have a large variety of audiovisual equipment and have been established long time before GoPro was founded. That's why Sony have a larger market share than GoPro in the digital camera market while GoPro is the leader in one category of digital camera. This apply to Snap in comparison with Facebook.

The last tool that will help make a decision is the Quantitative strategic planning matrix. The textbook for our course indicates that "The QSPM allows strategist to evaluate alternatives strategies objectively". The QSPM uses the factor already listed in the EFE and the IFE and determine the attractiveness of the factors on each strategy. Table 13 reveal the QSPM for GoPro, the alternative strategies are: the acquisition of GoPro and an improvement within GoPro.

Strategic analysis

Table 13. QSPM for GoPro

		1. Acquire Snap		2. Do not acquire Snap; improve internally	
Opportunities	Weight	AS	TAS	AS	TAS
Video content are more and more popular on social media	0.15	4	0.6	4	0.6
International markets' revenue growing and offering a possibility of growth	0.15	3	0.45	4	0.6
America is becoming more health-conscious, spending more time enjoying outdoor sports and activities	0.07				
Scuba industry is growing, and scuba divers purchase GoPro camera to film their adventure	0.04				
The acquisition of General Things, Inc. favour the development of editing and sharing software capabilities	0.06				
Increase in E-Commerce allowing GoPro to sell more products directly through its website	0.08				
Threat					
GoPro products are not yet available in all nations	0.13				
Digital camera sales is falling globally from 121.5 million in 2010 to 19.4 million in 2018	0.1				
Demand for camcorder is volatile, depending on the season	0.08				
Competition is increasing, especially with the improvement of smartphones	0.06	3	0.18	2	0.12
The selling of drones with its own cameras by SZ DJI, cutting GoPro out of one of its largest drone-producing customers	0.04				
GoPro relatively low resources compared to Rival Firms	0.04	1	0.04	2	0.08
Total	1				
Strenghts	Weight				
GoPro provided a innovative technology	0.11	4	0.44	4	0.44
GoPro offers a large variety of products	0.06	2	0.12	4	0.24
GoPro.com revenues have increased by %50	0.07				
Gopro profits are mostly realized during Q2 and Q4 of the year	0.07				
2018 Q4 revenue experienced 13% increase compare to 2017 Q4	0.08	3	0.24	2	0.16
GoPro have experienced an increased in foreign markets	0.06	3	0.18	4	0.24
Weaknesses					
GoPro has experienced net losses for the last 3 years	0.12	1	0.12	3	0.36
Revenue in domestic market is down 16%	0.08				
GoPro.com contribute to less than 10% of total revenue	0.06				
Decrease in total assets from 2016 to 2018	0.12	2	0.24	3	0.36
GoPro removed its drone from the market	0.08	3	0.24	1	0.08
Decrease in average selling price	0.09				
Total	1		2.85		3.28

Strategic analysis

The acquisition strategy has a score of 2.85 and the other one have a score of 3.28. The acquisition is attractive in order to attract new customer because Snapchat have a large user base. Both main products of both companies can be complementary, and this is ideal on a theoretical point of view. However, what is less attractive concern the financial performance factors. Both companies having net losses and declining customer's growth rate.

Decision

Based on the strategic analysis of both companies, the final decision for GoPro will be to renounce to the acquisition. Many reasons influenced this decision:

- GoPro is having net loss, acquiring a company that is having more losses will not be wise
- GoPro is advertised on Snap competitor's platforms like Facebook and YouTube, an acquisition may decrease GoPro's exposure
- GoPro is a smaller company than Snap
- Snap co-founder will be reticent about giving away the control of their company. It will require great incentives
- Both firms are under the high pressure of competitor, combining both will add powerful competitors. This might impact the employees too

Strategic analysis

References

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