



RIDE THE WAVE PROCESS

BE MORE LIKE THE SURFER AND RIDE THE WAVE

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GOING PRO: GOPRO CASE STUDY

EXTERNAL VIEW: THE CONDITIONS

1. INDUSTRY / MARKET

A NEW MARKET

The Ride the Wave Process can be used to find new opportunities in any market or industry and with any type of product or service. As an example, let's go through each of the three principles and look at a company like GoPro through the eyes of the surfer. Given GoPro's significance to the sport of surfing, it's fitting to use the principles to examine the company's external and internal challenges. In using the process, we can look at what has caused GoPro's problems and evaluate what the company did to overcome those challenges and find success. From the time of the company's inception in 2002, GoPro has singlehandedly created a new category within consumer electronics. GoPro was the early market leader in portable cameras and had cornered the market through incredible hardware and beautiful design. The cameras were durable, could be used in all kinds of environmental conditions, and brought the action sports market to life.

METEORIC RISE

GoPro had essentially created a new market within consumer electronics and was the category leader within a period of a few years. The cameras were used to film the death-defying feats of action sport athletes, who began to self-produce short clips that showed them catching waves, base jumping, and "going pro" in their various sports. The company became one of the most well-known brands in action sports and had the benefit of free marketing anytime someone posted GoPro footage on the web. The company had built its own community, had loyal followers, and created products that gave athletes of any skill level the ability to share their sporting exploits like never before. GoPro focused on its strength—hardware. The company created cameras that were a staple among modern athletes and worn by the most well-known athletes in action sports. GoPro became a household name

and the first in its category to capture the experience of action sports and share these experiences with the world.

EPIC FALL

GoPro cameras were originally meant to meet the needs of action sports athletes, but over time, they started to gain mass appeal. Unfortunately, competitors caught on and GoPro had to defend its action sports niche. Competitors with lower cost options started to enter the market, and larger companies with deep pockets were able to offer cameras priced under \$100—roughly a third of the cost of a GoPro camera. At its highest point, GoPro stock traded at \$87. At the time of this writing in January 2017, the stock was at \$8. GoPro had suffered a significant drop in its stock price, and revenue had fallen from \$420 million in June of 2015 to \$220 million in June 2016. The conditions had changed, and GoPro was too slow to deliver new products and services to the market. The company was left to fight for its own customers and had to rethink how it would fulfill their needs in the future.

2. CUSTOMER

USER OPTIONS

GoPro was the dominant player in portable cameras, but competition entered the market with alternative camera options, and the market became saturated over time. There were numerous user options for customers and offerings anywhere from \$99 to \$499 per camera. The price point was far below what GoPro was asking for its cameras, and competition was stealing customers from GoPro by undercutting its business with a less expensive option. The market became fragmented. There were too many user options, and GoPro started to lose the foothold it had built over the years. Customers found lower cost options that could match GoPro's picture quality as the camera technology on smartphones improved and became less expensive over time. GoPro had established a strong customer base within the action sports market, but began to lose ground with new users who found competitor cameras cheaper and easier to use. Bigger and more dominant players that started providing new options to users slowly eroded any momentum that GoPro had generated in the mass markets.

EVERYDAY CAMERAS

GoPro wanted to move beyond its niche of action sport athletes and into a more mainstream market to be seen as a camera for everyday use. The vision was to expand usage among consumers doing "everyday activities," but who never thought to capture these activities on camera. With the advent of social media and self-publishing platforms for photos and video, it became more and more acceptable to post self-created content of yourself doing just about anything from running to playing Frisbee with your dog, or even jamming on a guitar in your room. People's private lives became more public, and they needed a way to capture it on camera. Personal cameras became more accepted for everyday use, and cell phones

were suddenly capturing incidents never caught before on camera. This would be a new market for GoPro to enter, but providing a simple, easy-to-use option would prove more challenging than anticipated.

SOFTWARE AND APPS

In addition to offering a quality camera at a good price, consumers wanted to be able to edit their footage and turn it into high-quality videos. Unfortunately, GoPro had spent over ten years focused on building cameras, but had done little to nothing to help customers with their biggest need—taking all that high-quality footage and actually doing something with it. As someone who bought one of the first HERO cameras, I too am guilty of collecting hours of snowboard, wakeboard, and surf footage, but doing nothing with it. GoPro needed to bridge the gap between its hardware and the end video product, but had not developed the editing software or applications that customers needed. For a period of time, in order to edit GoPro footage, you needed at least some level of technical expertise. For action sport athletes or to the everyday person filming their lives on a GoPro, editing was an inconvenience and a challenge. It also became a deterrent to buying one as well.

3. COMPETITION

DIRECT

GoPro has always faced competitive threats, but over time, competition increased, and the market GoPro had masterfully carved out soon became crowded. The conditions became more challenging as GoPro began to expand into markets beyond its core customers and struggled to attract customers who were not action sport athletes. GoPro had direct competition from companies that offered a similar product in the same category and that had the same goals of providing a high-quality POV camera for action sport athletes. The market shifted as larger players such as Polaroid entered the market and offered a camera called the Cube, which competed with the GoPro HERO4 Session. The HERO4 Session launched at a \$399 price point and was undercut by the Cube, which sold for \$99. After multiple price reductions, GoPro settled on \$199 for the Session, but the damage was done. GoPro struggled to differentiate itself, and direct competitors saturated the market with low-cost options that eroded its share of the business.

INDIRECT

As GoPro attempted to enter the mainstream mass market, the company faced indirect competition from large, established brands that offered a similar product, but in a different category than GoPro. The action sports market was virtually created by GoPro, and most traditional camera companies such as Sony, Nikon, and Canon had similar products focused on a different customer segment than GoPro.

But as the action sport market began to grow, competitors began to market their products as alternatives to what GoPro was offering and had the backing of well-established brands in the camera market. Drones, for example, had been in the market for years, but began to become more prevalent as acceptance of them started to grow. They were never intended to be used to film action sports and had mainly been used for filming aerial views, but eventually, they became an indirect competitor of GoPro. As a result, GoPro had to develop its own drone to enter another congested market, but the company struggled to defend its share of the market as additional competitors encroached on its turf.

REPLACEMENT

Direct competitors with similar products and indirect competition from traditional camera companies challenged GoPro. There was also replacement competition from products that were in a different category than GoPro, but that provided a camera option that could be used instead. As smartphone technology improved, mobile devices became a convenient replacement option. Consumers with smartphones had a high-quality camera in their pocket. They could use devices similar to how a GoPro would be used, but that took advantage of the capabilities that smartphones offered. The phones allowed for easy capture of activities, the footage was saved directly on the phone, and you could share the footage online or use editing apps to create short movies. GoPro had excelled as a hardware company, but started to lose the market when direct, indirect, and replacement competition started to offer similar products that were more convenient to use and had capabilities that GoPro had not yet conceived of offering.

INTERNAL VIEW:SKILLS

1. MINDSET

ACTION SPORTS

GoPro faced fierce competition and needed to change how it approached the larger mass market. The organization needed to think more progressively about what skills and capabilities would be needed to stay competitive in the new market conditions. GoPro had to change its mindset toward skills and think progressively, like the surfer, about what it needed to do differently. The company was locked into an action sports mindset and had focused on that core audience for so long that it did little to expand beyond its current capabilities. If GoPro was going to progress, it would need to change how it viewed itself and its skills within the new market. GoPro wanted to attract a mainstream audience that would attach a camera to a baby stroller, sailboat mast, or the collar of a dog. GoPro held onto its action sports market, but changed its mindset about how its camera could appeal to the larger mass market.

MIX AND MATCH

GoPro was protective of its cameras and the footage created by its community on these cameras. The company's mindset was that customers should not be allowed to use competitive cameras to capture footage and mix that footage with GoPro footage or use competitive editing and production applications. The fear was that competitive platforms would cannibalize GoPro market share and pull established customers away from the products. GoPro wanted its customers to use GoPro products only, but the company did nothing to offer new products or services to fulfill customer needs. GoPro decided to change its mindset and encouraged users to capture or edit footage on any application that was convenient for them. GoPro also changed its mindset about competitor footage and just wanted footage to be produced, even if through a competitive platform. GoPro's mindset prevented the company from seeing the opportunities created by software and applications. Over time, however, the company began to take steps to address its skill gaps and capability needs.

HARDWARE COMPANY

For years, GoPro had focused on product development and designing premium camera hardware for customers. The company's focus was on premium and high-quality first-person cameras, but little time had been spent thinking about how customers would access that footage or what kind of platform they would use to edit it. GoPro began to see the opportunities of offering premium editing and production applications. Instead of strictly seeing itself as a hardware company, GoPro realized that it could be a content-production company that offered multiple ways for customers to fulfill the needs that GoPro had ignored for so long. GoPro began to hire developers with capabilities that could help them close the gaps on internal needs and changed how the company perceived its own capabilities. Taking a cue from the surfers who they had supported for years, GoPro adopted a progression-based mindset about its own skills and began to build those needed capabilities.

2. SKILLS

LEADERSHIP

As GoPro began to explore new opportunities within the market and changed its mindset about the type of company it wanted to become in the future, the organization started to look internally at its current skills and how to bridge the gap to the new organization of the future. GoPro and its early leadership team possessed a set of skills that helped make GoPro one of the most well-known brands within action sports and also consumer electronics. When faced with new challenges, however, the company realized that it did not have the right talent to

execute its desired objectives and that if it wanted to progress as an organization, the company would need to build new skills. GoPro began to add new skills within leadership teams and evolved as an organization. The organization was forced to purge some of the early employees that had helped to build the organization—about 7 percent of its workforce in 2016, but found new leadership that could move them from a hardware company to a modern software company.

HARDWARE

GoPro's core competency was creating durable products with a premium design. This skill developed into a core capability and made GoPro successful over a ten-year period. But as camera technology improved and as competitors developed quality offerings that caught up with GoPro, the company had to lower its prices in order to compete, losing the key differentiator that had brought success. GoPro changed its mindset about its skills and started to think beyond hardware. In embracing the new market conditions, the company realized that it was not fulfilling a major need of the customer and that competitors could solve these needs and gain significant market share in the process. GoPro realized that the hardware-first approach was coming to an end. The company would need to adopt a mindset toward software and develop an entirely new set of skills that it did not possess in-house. GoPro hired developers and added those skills to the organization by self-producing the skills it needed.

SOFTWARE

GoPro needed editing software expertise and began to develop its own talent, but it was taking too long to build those skills. While the in-house approach was the right move, the company soon realized that other companies were already offering editing software and had platforms that would work well with GoPro product offerings. The company thought progressively and realized that strategic acquisitions and essentially "buying new skills" could help fast-track in-house skills and bring editing software to customers faster than trying to build these skills in-house. GoPro purchased two video editing start-ups for \$105 million. At the time, this represented 22 percent or almost one fourth of the company's \$474 million in cash. Merging the new acquisitions with GoPro's internal software teams allowed the organization to move faster toward building new skills. The company's mindset and willingness to change how it viewed its skills improved the business and built new skills into the organizational capabilities that were now needed in the new market.

3. CAPABILITIES

COLLECTION

GoPro added new software skills by developing talent in-house and acquiring those skills through strategic acquisitions. This process started turning individual skills into organizational capabilities. Adding software and editing skills to the company's core hardware competencies filled a significant skills gap identified within the organization and also solved a major problem for customers. Users of GoPro cameras would now be able to capture, access, edit, and share content more easily, and GoPro would be able to provide an end-to-end process that it had not been capable of before. By changing its mindset and opening itself up to adding new skills, the company narrowed a capability gap between its cameras and smartphones. Users would be able to do everything their phones were capable of, use a more durable product, and not chance wrecking their phones or losing personal data. GoPro also made its new products more user-friendly by adding a display screen to easily select settings and giving the cameras Bluetooth and Wi-Fi capabilities to make collecting and storing content easier.

CREATION

As users collected content, they were now able to use the new GoPro software to edit and produce videos. The software platform gave users a desktop editing experience and provided a content-creation solution that could be used regardless of the type of camera. This gave GoPro a way to monetize a new service that helped to build from its current capabilities as a hardware company to that of a software company. But moving from a hardware company to a software company would not be the end goal for GoPro. Leadership realized that the long-term goal would be to become a content-creation company. This was a departure from its start as a hardware company, but a good move if the organization wanted to stay relevant in the market. GoPro created a platform for its users to edit their footage, but also created a way to have non-GoPro users try its software and even buy one of their cameras. Adding software as a capability closed a significant skill gap, but it also created a gateway product for new customers to find out about GoPro.

SHARING

After solving the content collection and creation challenges, GoPro next looked at easy ways for customers to post and share their videos. GoPro realized that the market had progressed to the point where virtually every cell phone on the market had both Bluetooth and Wi-Fi capabilities. GoPro began adding those capabilities to cameras so users could upload and share videos without having to use a desktop computer. GoPro also created a platform designed to be an all-in-one platform for videos to be uploaded, edited, and shared. The new offering is called GoPro Plus and is a subscription-based model that allows users to do editing and production

within a single platform. No longer are users mixing and matching platforms and applications; they are using a single site and leveraging cloud storage so they have all their video content in a single place. Even with this success, GoPro would still need to explore risk and take on new challenges without letting the market waves wipe out the company.

STRATEGIC VISION:RISK

1. OBJECTIVES

PORTFOLIO

After examining the market conditions and identifying areas where the company could add new skills and capabilities, GoPro began to take action and implement its main strategic objectives. In addition to adding new skills and capabilities, GoPro needed to create a broader product portfolio. For years, GoPro did not expand its product offerings. However, the company had reached a point where it would need to recalibrate the business and move from a hardware company to a software company. GoPro focused on product development in-house and acquired new products to build a more diverse portfolio. The focus was on new products, new platforms, and new partnerships that would grow the company. For GoPro and its leadership, these new priorities and objectives involved a tremendous amount of risk. But like the surfer, GoPro used risk as a compass and explored adding new products to its portfolio. Stepping into untested waters was a new risk for the company, but one that it needed to take.

MASS MARKET

GoPro firmed up the back end of the content-creation process by offering software and additional applications to provide a full end-to-end solution that competition did not have. The company was creating a new set of products, which was risky, but so was wading into the deep waters of the everyday camera market. Mass retailers favored the larger companies that had deep pockets and established brands. GoPro was attempting to expand beyond action sports and wanted to become a solution for consumers in the mass market. This was a major risk. The everyday camera market was highly fragmented, cost sensitive, and had aspects of seasonality that could create all-or-nothing scenarios. GoPro would need to capture a significant portion of its sales during the second half of the year and during the holiday selling season. GoPro already had its HERO4 Session launch undercut by Polaroid, and mass-retail competitors could do the same to prevent the company from gaining additional ground in the market.

INTERNATIONAL MARKET

As the domestic market became tighter and more fragmented, GoPro began to consider markets outside the United States. The international markets were at least one to two years behind the markets in the United States, which gave GoPro the time to develop a retail plan for capturing international business. The two markets outside the United States that offered the most opportunity for growth were Europe and China. GoPro began to build out a retail footprint for Europe and China as well as developing the marketing channels that would be needed to drive the business. These new markets were developed and mature, but GoPro represented a fresh entrance into the established electronics market. This was another major risk for GoPro, but entering the new market conditions, with a new set of skills and capabilities, would help make GoPro more effective with its tactics.

2. TACTICS

PRODUCTS

In taking on new risk, GoPro aligned itself with what was changing in the market and started to add new products to its portfolio. Product expansion was a strategic objective for GoPro, but tactically, this approach worked to create a new way to offer new platforms and services. GoPro made its new products mobile-friendly and had a solution from capture all the way to the end production process. New cameras also have touchscreen capabilities, voice control, and a wireless remote that provides mobile, but also offers hands-free use. GoPro also developed the Quik Key that allows footage to be transferred from a HERO camera to a phone via an external flash drive. There is also a live broadcast feature on all new cameras and a Quik App for mobile editing. GoPro is offering mobile products and on-the-go content creation that eliminates other platforms from the equation. The company has introduced new products that serve the market better and encourage end-to-end storytelling on a single GoPro platform.

PROMOTION

GoPro had developed the products to support users, but also the marketing capabilities to drive product promotion. GoPro has a unique relationship with its users in that the videos created by surfers and base-jumpers all create free marketing content for the organization. Digital marketing is driven by users who post videos to their YouTube or Vimeo pages and show potential GoPro customers how they can also "GoPro" by capturing their exploits on the devices. By providing new product options that make it easier to create and produce content, GoPro was essentially supercharging its already powerful marketing and sales engine with customer produced content. The company was also able to leverage the new market conditions created by social sharing platforms to promote these videos to a wider audience. By adding new products to the portfolio, which allowed for easy

sharing, and using one of its core capabilities of marketing promotion, GoPro was minimizing its risks through new product tactics and promotion.

PEOPLE

In order to execute these various strategic objectives and tactical initiatives, GoPro needed to hire, train, and develop the talent to execute on the vision. From a tactical perspective, GoPro has had the ability to pull core users into the organization from the action sports arena and retained its authenticity to a community of people who are dedicated to capturing their lives on cameras. From a people standpoint, the company has a tactical marketing advantage because the core users of the products are also the best talent for the organization. GoPro has a relationship with the end user of its products that is stronger than any other company in business today. GoPro has built out its product offerings and focused heavily on new technological capabilities, but the next area of focus will need to be on its people. GoPro needs to go back to what made the company so successful, providing tactical, on-the-ground marketing and sales to consumers directly from its own people.

3. PROJECTS

NEW PRODUCTS

GoPro identified areas where it needed to match the needs of the market and created a set of tactics to help execute on these new objectives. This process involved acquiring new skills, but also building new core competencies that would align them with the needs in the market. GoPro continued to explore risk, change its mindset, and look out at the horizon to find the next wave. One of those next waves was a virtual reality project and a device that had multiple cameras bundled together to capture a 360-degree view. The Omni and Odyssey started out as projects but became reality as GoPro continued to evolve as an organization. After hardware and software, making the move into VR was an easy decision for GoPro. Exploring risk with a new product was also necessary for GoPro to stay competitive. GoPro learned from its past mistakes about not reacting to the changing conditions sooner. The company is firmly in the middle of what's next in VR and positioning itself to tackle each new market challenge as it arises.

NEW PROMOTION

GoPro continued to evolve its marketing and sales as well as the way the company engaged with its user community. Promotion focused on attracting new customers that had not used a GoPro camera before, but also on having existing customers upgrade to newer hardware and take advantage of improved product offerings. GoPro started offering free two-day shipping and free returns on all orders, which made it easy to order cameras and less of a hassle if you needed to make an

exchange. GoPro also created new promotional opportunities to motivate consumers to pull the trigger on new cameras and continued to target the mass-market audience, using opportunities to showcase the products in new ways. The movie *The Martian* has extensive GoPro filming throughout and highlights the daily uses of the camera by an astronaut. Matt Damon is ways away from the action sports market, but the movie was a creative way to promote the cameras and also an easy way to demonstrate these capabilities.

NEW PEOPLE

GoPro created a new set of products for customers, but had entered into a new arena where technology and software could create more challenges for users. GoPro developed options for users who needed to have problems resolved and questions answered. GoPro created support tools in the form of FAQs, customer service lines, and online chats to help customers resolve issues with their hardware or software. GoPro also conducted brand ambassador sessions for its professional action sport athletes to try new products and even brought CEO Nick Woodman to these sessions to help work through the capture and creation process. GoPro embraced the new and changing conditions by finding out what the customer needs were and determining that the company needed a new set of skills to execute on its objectives. GoPro changed its mindset about the organization and began to take on more and more risk in order to close in on its vision. Using risk as a compass, the company was able to bridge market and skill gaps that had previously challenged the organization and set a new course for the future.