



GOPRO: BRAND EXTENSION

In theory, launching a successful brand extension should be easy. All you have to do is take a familiar name and slap it on a new product in another category.

—Robert Klara, “The Best (and Worst) Brand Extensions,” *AdWeek*, February 4, 2013

In early 2017, camera manufacturer GoPro [NASDAQ: GPRO] stunned investors by reporting its first recorded annual profit loss and a revenue forecast that sharply missed analyst estimates (see **Exhibit 1** for a summary of GoPro financials from 2010 to 2016). What had once been widely heralded as one of the biggest initial public offerings of 2014, tripling in price in just over three months following the June IPO, the stock had tumbled 90.7 percent by the end of 2016 (see **Exhibit 2** for a chart of GoPro’s stock price). A series of camera pricing mistakes, altered product release schedules, and lower marketing spend, set against a backdrop of relative market saturation, negatively impacted demand for GoPro cameras. In fiscal year 2016 alone, units shipped and revenues both declined by nearly 30 percent, a remarkable reversal from the early days, when revenues more than doubled each year following the company’s 2004 launch.¹

While sales of GoPro cameras declined, its brand remained one of the most revered in the world. As a result, Tony Bates, director and former president of GoPro, mulled over ideas for leveraging the brand beyond the camera. For Bates, this meant potentially launching a new product using the existing GoPro brand in a different category. While it seemed easy enough, GoPro had to consider where to extend the business in a way that made sense for the company’s core demographic. GoPro also had to determine whether to license the brand to others or partner with another company. Given the consumer-centric roots of the company and the evolution of the brand, there was a lot to consider.

¹ Ryan Mac, “The Mad Billionaire Behind GoPro: The World’s Hottest Camera Company,” March 4, 2013, <http://www.forbes.com/sites/ryanmac/2013/03/04/the-mad-billionaire-behind-gopro-the-worlds-hottest-camera-company/#42fbdbdc5a75> (February 9, 2017).

Jaclyn Foroughi, CFA, and Lecturer Michael Marks prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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COMPANY BACKGROUND

Founding

GoPro was founded in 2003 by Nick Woodman, a surfing enthusiast who was looking for a way to capture footage of himself in action. Raised in the San Francisco Bay Area near some of the best breaks in the world, Woodman had always enjoyed surfing as an integral part of his life—launching his high school's first surf club and attending the University of California at San Diego, later remarking, “It was all about beachfront.”²

In 1999, two years after graduating from college, Woodman started an online gaming service called Funbug, which later failed during the dot-com crash of 2000—losing \$3.9 million in investor money. Wounded by the experience, Woodman set out on a surf trip in March 2002 to Australia and Indonesia, where he experimented with a disposable waterproof camera and rubber band-like straps—early prototypes for the first GoPro wrist straps.

After traveling for five months, Woodman returned to Northern California to develop a prototype for a wearable camera. In October 2003, Woodman founded Woodman Labs and began doing business as GoPro in February 2004. By September 2004, at the Action Sports Retailer convention in San Diego, Woodman released the first wrist-mounted, waterproof, 35mm still camera—a model called “Hero.”

Initial Growth

Following Woodman’s initial tradeshow, GoPro began to attract distributors from around the world who were as passionate about the same things as Woodman. An example of this was a Japanese distributor who by trade ran one of the largest car sales dealerships in Japan, but was also a famous competitive hill climb racer. In addition to tradeshows, Woodman focused on developing relationships with surf shops and specialty sports boutiques with customers who were equally as passionate about capturing their adventures on camera. He also appeared alongside Sara Blakely, shapewear Spanx founder, on televised home shopping network QVC three times in 2005, helping push GoPro’s revenues that year to \$350,000.

By 2006, GoPro had eight employees working 12- to 20-hour days broken up by tradeshows where Woodman refined his pitch to executives. Later that year, outdoor retailer REI began carrying GoPro’s cameras, bumping revenues to the “low seven-figures”³ by 2007. Despite the financial crisis of 2008, the company exceeded \$8 million in sales in 2008, fueled by strong organic growth.

At the end of 2009, GoPro released its first high-definition camera, the Hero HD, which the GoPro team continued to pitch to executives at tradeshows as late as the spring of 2010. Shortly

² Judy Piercy, “For GoPro Founder Nick Woodman, UC San Diego was a Catalyst for Creativity,” *thisweek@ucsd*, May 8, 2014, http://ucsdnews.ucsd.edu/feature/for_gopro_founder_nick_woodman_uc_san_diego_was_a_catalyst_for_creativity (March 21, 2017).

³ Mac, op. cit.

after, electronics retailer Best Buy picked up the Hero HD. By the end of 2010, revenues were well over \$64 million, reflecting annual growth of over 184 percent over the prior five years.

Funding

Partly a byproduct of his Funbug experience, and to preserve control over the direction of the company, Woodman largely avoided venture capital funding. Instead, at the outset, Woodman opted to contribute \$30,000 of his own money, as well as \$35,000 from his mother, and two \$100,000 investments from his father. By 2011, however, GoPro raised \$88 million in its first round of venture capital funding led by Riverwood Capital. With the company then valued at nearly \$300 million, Woodman used the proceeds “to aggressively expand its international market dominance in wearable and gear mountable cameras and accessories.”⁴

By December 2012, with revenues of over half a billion dollars, GoPro raised an additional \$200 million of corporate funding from Taiwanese contract electronics manufacturer Foxconn (Hon Hai Precision), valuing the company at \$2.25 billion. In June 2014, with a \$1 billion revenue run rate, GoPro raised \$427 million in its IPO, bringing the valuation of the company to roughly \$3 billion.

EVOLUTION OF THE BRAND

Born out of a passion for action sports often characterized by a cult-like following, the GoPro brand underwent an evolution heavily influenced by its initial, core demographic. These users formed the roots of the GoPro brand, from which content was created and subsequent products were sold and distributed.

Specialty Core Verticals

As the initial distributors of GoPro cameras, specialty markets played a pivotal role in defining the GoPro brand. Bates described:

Nick [Woodman] went very heavily into the specialty market as his first partnerships in distribution for the cameras. He went to trade shows that his team was passionate about and he met these like-minded, passionate people. They loved the product and he started to work on distribution agreements with them. It was really through these partnerships that he started to shape the places that the product was distributed but also the type of people that were going to then use the product and the content that was created.⁵

⁴ Riverwood Capital press release, “GoPro® Receives Strategic Investment from Riverwood Capital, Steamboat Ventures, Sageview Capital, Walden International and US Venture Partners,” May 5, 2011, <http://www.riverwoodcapital.com/#!news/gopro-receives-strategic-investment-riverwood-capital-steamboat-ventures-sageview-capital-wa> (March 21, 2017).

⁵ Interview with Tony Bates, February 27, 2017. Subsequent quotations are from the author’s interviews unless otherwise noted.

Not only did specialty verticals form the crux of the brand but they were also the core distributors and their customers were the creators of GoPro content—a role that proved critical in the growth of the GoPro brand.

Content Sells the Product

For Woodman, developing the GoPro camera was about enhancing a lifestyle, not just selling a product—a philosophy that resonated with its core users. In fact, according to Bates, Woodman “went out of his way to never actually put the camera in the GoPro-produced content itself. It was more about the lifestyle that you live while using a GoPro camera, than it ever was to sell a product.”

This core value was born out through GoPro’s content-sharing channel on YouTube, which boasted nearly 4.7 million subscribers and over 1.4 billion views by April 2017. “It was much more to get you excited about what GoPro can help you create and then you’d go off and discover the product by hopefully coming to the GoPro site,” Bates said.

Using the Product in Distribution to Sell the Product

Another unique driver in the evolution of the GoPro brand was the use of the product within distribution channels to sell the product. In other words, while the company did not advertise the camera in user-generated content, user-generated content was used to sell the camera. For example, in physical retail stores, Point of Purchase displays (PoPs) used monitors to loop GoPro-curated content that was produced either internally—or footage from users that was then finished by the internal GoPro media team. The goal was to emote a lifestyle that engaged and excited consumers about the product. As a natural extension, accessories such as mounts, housings, remote controls, and grips, were the bridge to making the content.

GROWING THE BRAND

Fueled by the engagement of its early demographic, the GoPro name grew in popularity, becoming synonymous with action cameras. According to the July 2014 Brand Channel Leaderboard, GoPro was the most popular brand on YouTube ranked by audience passion, popularity, and engagement. Users were not only captivated by the content but were inspired by the captured stories to create and share their own.

From Action Camera to Activity Capture

However, by 2015, rising saturation and decelerating growth in the action camera market prompted Woodman to redefine the GoPro brand from action cameras to activity capture. “We’re sort of narrowly described as being an action camera company. I’d prefer, we would all prefer, that we think of it more as GoPro as the world’s leading activity capture company,” Woodman said.⁶ This sentiment supported surveys conducted by both GoPro and investment bank Goldman Sachs, which showed that “family use” had become the number one use of GoPro despite the fact that men owned more GoPros and watched more GoPro-related videos than

⁶ Nick Woodman, GoPro Q4 2015 Earnings Conference Call, February 3, 2016.

women.⁷ In fact, ownership, intent to buy, and video-watching were more pronounced amongst 18- to 38-year-olds (greatest in the 18-24 age range) while households with three or more and/or at least one child indicated more affinity toward GoPro.

Still, despite the growth of the brand and the decision to broaden its target demographic, the GoPro team faced a dilemma in staying true to its roots. According to Bates, “One of the challenges as you grow and you scale is can you still have room for Bob’s Surf Shop in the GoPro case when, frankly, most of the business is served by Amazon and Best Buy?” This was a particularly significant consideration given margin challenges in the specialty verticals.

Sponsorships

Another cultural value integral to growing the GoPro brand was to make friends—a concept that helped guide the company’s relationships as partners and sponsors, including top athletes who served as ambassadors of the brand. Like an agency, GoPro uncovered up-and-coming and otherwise unknown athletes before they became famous. These included champions in their fields like surfer Kelly Slater, snowboarder Sean White, and alpine skier Lindsey Vonn. The problem for GoPro, however, was being able to afford these athletes once they became famous. Bates revealed, “There are always competitors who are always trying to take your best athlete away, who is the most passionate person—you have to have the professionals that people want to emulate. It’s all one big balance.”

Marketing Strategy

GoPro’s marketing strategy centered on digital marketing using user-generated content circulated on social platforms such as Facebook, Instagram, Twitter, Vimeo, and YouTube. In fact, GoPro withdrew from conventional above-the-line (ATL) marketing⁸ early because they believed in the power of digital marketing. Instead of relying on spending to acquire an audience, GoPro used the brand-building services of its unpaid consumers, who shared videos and images on GoPro’s own burgeoning social platforms or channels. As a result, sales and marketing costs steadily declined from 27.5 percent of sales in 2011 to 13.9 percent of sales in 2014, despite expanded international sales and marketing efforts. From 2015 to 2016, however, sales and marketing spend increased as the company focused on more product-centric marketing to appeal to the mass market consumer.

The company also formed partnerships with airline Virgin America, technology company Microsoft (maker of video game console Xbox), and others to distribute content through partner platforms.

⁷ Simona Jankowski, CFA; Doug Clark, CFA; and Swapnil Sheth, “GoPro: Flight, camera, action! Initiating coverage with Neutral,” July 5, 2015, Goldman Sachs Global Investment Research, p. 22.

⁸ Above-the-line (ATL) marketing refers to promotional activities done to reach a mass audience such as television, radio, print, film, and billboards.

MODELS FOR LICENSING THE BRAND

For the GoPro team, three models emerged in discussions regarding extending the brand: owned and operated, partnering, and partnering with an option to buy/put equity into the company.

Owned and Operated

In an owned and operated model, GoPro retained control over the ideation and curation of the brand. This was a fundamental concern of Woodman's who was, according to Bates, "really concerned about looking like we were just slapping logos on someone else's clothing line." When GoPro developed an early line of apparel, for example, they developed entire designs from scratch, and cut and sewed each piece. Bates revealed three challenges with this approach: first, it was expensive; second, it was very limiting; and third, the company had constrained resources to execute. "We just used folks who were more from the marketing and branding side; and those products—they're great products—but didn't do very well in terms of sales," Bates said.

Partnering

By establishing a partnership with another interested party, it was possible that GoPro could mitigate costs, resources, and risk. "There's a number of great companies out there that you can go work with and they will literally outsource everything for you. You just ideate twice a year around it," Bates said. For example, one of the most famous surf brands, O'Neill, does not manufacture, produce, or develop apparel; instead, they have a hand in design but their primary goal is to produce wetsuits. As a result, O'Neill participates less in the business but also carries less risk. The exception is inventory risk, which, as Bates revealed, "in the first go around, you don't get it correct because you have much bigger ambitions...you have to figure out how to market it, what the right pricing is, and so on."

Partnering with an Option

A third model for licensing the GoPro brand entailed partnering with another party with an option to buy or put equity into the participating company. According to Bates, this model worked best for a partnership that had not scaled but had some operations in place, and where testing had been done around the efficiency of the economics. One example of this model was the product lines of television host, Ellen DeGeneres, whose personal lifestyle brand had extended to branded apparel, housewares, and more. Bates revealed: "Ellen worked with a third party like O'Neill did but Ellen had such a great funnel on their demographic that the business really took off. In their case, they bought that business out, and it's now part of a larger holding company."

IMPLEMENTATION OF LICENSING MODELS

Regardless of model, two considerations were imperative in the successful implementation of a brand extension: recognizing the importance of intellectual property (IP) and optimizing for high-margin business. "The thing that I think surprised everyone is that you don't make that much money directly on these licensing deals. The highest margin licensing deals we saw were

really where you have very strong IP like in video games such as Nintendo or with movies like Star Wars franchising,” Bates said.

One of the most iconic examples of licensing based on strong intellectual property was entertainment company Walt Disney and its myriad characters. A brand synonymous with wholesome family entertainment, Disney had a presence that crossed various segments including theme parks, television, travel, theater, and merchandising. Having learned early on the value of its characters—particularly Mickey Mouse—to the Disney brand, the company wielded heavy influence over copyright law, nearly doubling its original copyright protection from 56 years to 120 years from the year of creation.

The second consideration, optimizing for high-margin business, was particularly relevant to GoPro, which boasted average gross margins of 44 percent from 2010 to 2016. In order to optimize the economics of licensing, a high-margin business like GoPro would have to execute a higher quantity of deals in order to have an impact on top- and bottom-line growth. As Bates explained, “In traditional models where you might put your logo on a piece of sports equipment or apparel, margins are fairly small—typically a third of actual product margins on average because of distribution...but it’s efficient margin because it’s low overhead.” Alternatively, GoPro would have to implement a fewer number of deals capturing a higher share of margins.

Surfboards

With its roots in surfing, and its sponsorship of renowned professional surfers like Kelly Slater, one natural extension of the GoPro brand was a GoPro surfboard. In 2015, the global surfboard market was \$2.5 billion, growing at an annual rate of 11 percent over the prior four years.⁹ Slightly smaller than the golf market and at about the same size as the snow-ski and tennis market, the surfboard market benefited from the fact that there were no dominant brands. In addition, one surfboard manufacturer noted that consumer demand was the key to the business with market growth driven largely by the livestreaming exposure of surfing events around the world—an effortless tie-in with GoPro’s core product.¹⁰

Still, key to a meaningful surfboard extension would be proving out the economics. According to Sean Smith, executive director of the Surfboard Industry Manufacturers Association, in the U.S., surfboards cost anywhere from \$200 to \$225 to manufacture.¹¹ Manufacturers then sold the surfboards to shops for around \$300 while retailers marked the surfboard up to \$400. Once again, while the surfboards provided healthy 33 to 50 percent margins to manufacturers, retailers generally captured higher profit margins in surf-related clothing and sunglasses.

Mountain Bikes

⁹ Glenn Baker, “Making Waves: Paul Winton and Scott Fenton’s Innovative Surfboard ‘Manufacturing Cells’ Are Set to Revolutionise the World’s Surfboard Industry,” *NZ Business + Management*, August 2015, Vol. 29 Issue 7, pp. 32-33, <https://www.highbeam.com> (April 9, 2017).

¹⁰ Ibid.

¹¹ Patrick Rizzo, “U.S. surfboard makers thrive in choppy waters,” *MSNBC*, August 5, 2010, http://www.nbcnews.com/id/38472495/ns/business-us_business/t/us-surfboard-makers-thrive-choppy-waters/#.WN2YWxiZPVo (March 27, 2017).

Another potential extension of the GoPro brand was mountain bikes. With projected sales of \$13.4 billion in 2017 and an expected growth rate of 9.2 percent until 2021, the mountain biking equipment market presented a compelling opportunity for GoPro to capitalize on one of its most viewed categories of content.¹² While independent dealer sales were dominated by the “Big Three” bike companies—Trek, Giant, and Specialized—GoPro’s technical and financial resources would help it develop innovative products that would challenge established players. In addition, continued collaboration with sponsored professional mountain bikers like Aaron Chase, could help propel GoPro to market dominance.

Although mountain bike manufacturers maintained gross margins of 40 to 50 percent, the National Bicycle Dealers Association reported that gross margins for specialty bicycle retailers in the U.S. averaged 36 percent, which was below clothing sales at 43 percent, and other mountain bike-related equipment at 48.1 percent.¹³

Skis and Snowboards

A relatively lower growth market, snow sports equipment sales in the U.S. were \$925 million for the 2015/2016 season, growing at an annual rate of 1.2 percent over the prior five years, while equipment accessories accounted for \$637 million.¹⁴ Another high-margin market for manufacturers, these snow sports hard goods were overshadowed by soft goods such as outerwear (a \$1.8 billion market) and apparel accessories (a \$732 million market).

Given the breadth of GoPro’s use amongst sports enthusiasts, opportunities abounded for potential brand extensions. Other possibilities included motorbikes, kayaks, skateboards, jet skis, scuba gear, and more.

PROTECTING THE BRAND

In choosing the right extension of the GoPro brand, however, it was essential to preserve the original value of the brand. For Woodman, retaining brand control and oversight was an integral part of his duty as steward of the GoPro brand. According to Bates, “One of the problems in our particular case, is that Nick, ultimately, as creator and purveyor of the GoPro brand, could never get comfortable with the idea that someone else might have control of our brand in some way.” In addition, the company placed emphasis on ensuring the success of the initial licensing deal in order to avoid hurting the chances of doing subsequent licensing deals or brand extensions, or hurting the mainstream business. Finally, it remained imperative that in order to enhance the brand, the extension must reflect the right values. For GoPro, this meant going back to its roots in action sports and racing, despite efforts to appeal to the mass market in cameras.

¹² “Top 5 Vendors in Global Mountain Biking Equipment Market from 2017-2021: Technavio,” *BusinessWire*, December 21, 2016, <http://www.businesswire.com/news/home/20161221005023/en/Top-5-Vendors-Global-Mountain-Biking-Equipment> (March 27, 2017).

¹³ “Want to Start a Bike Shop?” National Bicycle Dealers Association, <http://nbda.com/how-to/want-to-start-a-bike-shop-pg70.htm> (March 27, 2017).

¹⁴ “2015 SIA SnowSports Face Sheet,” SnowSports Industries America (SIA), <http://www.snowsports.org/research-surveys/snow-sports-fact-sheet/> (March 27, 2017).

CASE STUDIES

In any brand extension, there needed to be a logical fit between the extension and the parent brand since a nonexistent association could result in brand dilution. Both British conglomerate Virgin Group (“Virgin”) and energy drink producer Red Bull provided examples of how this theory played out.

Virgin Group

Founded by Sir Richard Branson in 1970, Virgin Group started out selling discounted records by mail then through record shops. In 1973, Virgin launched its own record label, expanding to films, books, and megastores by 1979. By 1984, Virgin further extended into games and an airline. Style, attitude, and vibe were crucial components of the Virgin brand, as was a strong, defined strategy. This approach entailed taking the brand into many different places, mainly with minority investments in other companies, but also meant facilitating a hands-off approach to operations.

Reflecting the brand, Branson was a risk taker who parlayed one business to another. For example, Virgin Mobile, founded in 2001, was a mobile virtual network operator (MVNO) providing services to customers through the network owned by telecommunications provider Sprint. Despite providing the same service as Sprint, Virgin commanded a premium as a result of consumers’ desire to be associated with the brand. Virgin’s approach was in complete opposition to Woodman’s strategy in that Virgin had little to no control over the base services and yet Virgin generated the highest average revenue per user (ARPU) in the industry.

Success, of course, did not come without failures. Virgin Cola, launched in 1994, failed as a result of a ferocious response from soft drinks producer The Coca-Cola Company, but also because Virgin Cola was attempting to disrupt a market in which consumers were already satisfied with existing products. “I consider our cola venture to be one of the biggest mistakes we ever made,” Branson said, “but I still wouldn’t change a thing.”¹⁵

Other Virgin extension failures included the Internet automobile retailer Virgin Cars, Internet florist Virgin Flowers, domestic airline Virgin Atlantic Little Red, cosmetics and toiletries business Virgin Vie, social networking site VirginStudent, and bridal retailer Virgin Brides. Branson quipped, “Virgin Brides didn’t work because we soon realized there aren’t any.”¹⁶

Red Bull

Co-founded in 1987 by Austrian entrepreneur Dietrich Mateschitz and Thai businessman Chaleo Yoovidhya, Red Bull had come to parallel GoPro, targeting the same demographic with similar content. Like GoPro, Red Bull’s unique marketing strategy produced exciting content that emoted a lifestyle. Specifically, consumers were drawn to exclusive and stimulating events that

¹⁵ Richard Branson, “What to do when things go wrong,” Virgin Entrepreneur, <https://www.virgin.com/entrepreneur/richard-branson-what-to-do-when-things-go-wrong> (March 27, 2017).

¹⁶ Joanna Aaron Lilford, “Quite a stretch: brand extensions done right,” LinkedIn Pulse, June 18, 2015, <https://www.linkedin.com/pulse/quite-stretch-brand-extension-done-right-joanne-aaron-lilford> (March 27, 2017).

received a great deal of media coverage. In addition, Red Bull supported world-class extreme sports athletes competing in spectacular, invitation-only, and often record-breaking events across the globe. As Mateschitz said, “We don’t bring the product to the consumer, we bring consumers to the product.”¹⁷ However, one of Red Bull’s trademark approaches was exclusivity. Only the best athletes were sponsored by Red Bull, while Bates noted that “GoPro’s approach is more in the middle. It wants to be slightly untouchable but accessible at the same time.”

In another departure from GoPro, Red Bull continued to drive the brand with owned and operated extensions in Formula One racing teams, professional soccer teams, and a record label. At the same time, Red Bull struggled with its U.S. NASCAR team., Red Bull Cola, and Red Bull energy shot.

Another distinguishing characteristic of Red Bull was its private company status, which meant it was not under the same public market scrutiny as GoPro. While Red Bull had a broader media strategy than GoPro, utilizing television, film, and radio, Bates noted that “they spend a tremendous amount of money...the problem is, we don’t have the financial wherewithal to do that.”

CONCLUSION

Implementing a successful brand extension would require further analysis with respect to core markets, product development, and strategy; however, the most important consideration was whether the extension would reinforce the value of the GoPro brand. Evaluating and balancing the needs of new and existing consumers, new markets (see **Appendix: Extension to Enterprise** for more on enterprise users), shareholders, sponsored figures, and general supporters would not be easy.

Study Questions

1. Should GoPro leverage its brand to enter product categories beyond cameras?
1. What are the best opportunities?
2. What are the risks?
2. To what extent should GoPro use partners versus develop product extensions in-house? What should partner deals look like if GoPro chooses to pursue them?
3. What companies, if any, serve as good brand extension examples for GoPro? Which do not?

¹⁷ Gerhard Gschwandtner, “The Powerful Sales Strategy Behind Red Bull,” *Selling Power*, September 2004, <http://www.redbull.com/cs/userfiles/file/Read%20full%20article%20-%20Selling%20power.pdf> (March 6, 2017).

APPENDIX: EXTENSION TO ENTERPRISE

In February 2017, GoPro relaunched its Karma drone, roughly three months after recalling all of the models it had sold since the initial product launch in October 2016. “A very smart accessory for the GoPro,” Bates noted, explaining that the drone was an extension of the GoPro within the camera category. Its introduction was an offensive move in that GoPro was enhancing the growing market with smaller, sturdier cameras. It was also a defensive move in that GoPro wanted to capture some of the aerial market. Still, the venture required a lot of research and development (R&D) with R&D as a percent of sales over the last seven years increasing from 2.2 percent in 2010 to 30.3 percent in 2016.

Perhaps one of the most valuable aspects of the drone extension was the potential opportunity for GoPro in the enterprise sector. Bates explained: “Drones are a perfect example of something that, long term, probably isn’t a consumer business. Drones can be very powerful in the enterprise segment. Everything from geological surveys to bridge building to real estate to agriculture. It’s probably going to be less exciting as a consumer business.” Still, Bates acknowledged that challenges would be met in growing within the enterprise segment because of “different sales motions, different customer bases, different go-to markets...and brands haven’t scaled very well across consumer and enterprise markets unless there is a mass consumerization effect where the consumer is bringing the product into to the enterprise.”

Exhibit 1
Summary of GoPro Financials (2010-2016)

(in thousands of \$US)	2016	2015	2014	2013	2012	2011	2010
Revenues	\$ 1,185,481	\$ 1,619,971	\$ 1,394,205	\$ 985,737	\$ 526,016	\$ 234,238	\$ 64,464
Cost of revenue	723,561	946,757	766,970	623,953	298,530	111,683	31,719
Gross profit	<u>461,920</u>	<u>673,214</u>	<u>627,235</u>	<u>361,784</u>	<u>227,486</u>	<u>122,555</u>	<u>32,745</u>
Operating expenses:							
R&D	358,902	241,694	151,852	73,737	36,115	8,644	1,394
Sales and marketing	368,620	268,939	194,377	157,771	116,855	64,375	13,177
General and administrative	107,367	107,833	93,971	31,573	20,899	10,757	6,317
Total operating expenses	<u>834,889</u>	<u>618,466</u>	<u>440,200</u>	<u>263,081</u>	<u>173,869</u>	<u>83,776</u>	<u>20,888</u>
Operating income	(372,969)	54,748	187,035	98,703	53,617	38,779	11,857
Other expense, net	(2,205)	(2,163)	(6,060)	(7,374)	(407)	12	(29)
Income before income taxes	(375,174)	52,585	180,975	91,329	53,210	38,791	11,828
Income tax expense	43,829	16,454	52,887	30,751	20,948	14,179	248
Net income	<u>\$ (419,003)</u>	<u>\$ 36,131</u>	<u>\$ 128,088</u>	<u>\$ 60,578</u>	<u>\$ 32,262</u>	<u>\$ 24,612</u>	<u>\$ 11,580</u>
Cash flow from operations	\$ (107,753)	\$ 157,611	\$ 96,922	\$ 102,477	\$ 8,366	\$ 15,229	\$ 5,644
Gross margin	39.0%	41.6%	45.0%	36.7%	43.2%	52.3%	50.8%
Units shipped (in thousands)	4,762	6,584	5,180	3,849	2,316		

Source: Compiled by author using company data.

Exhibit 2
GoPro Stock Price (6/2014-12/2016)



Source: Compiled by author using data from CapitalIQ.