

# Swot Analysis

## What is a SWOT?

A SWOT analysis is used to identify and analyse the internal Strengths and Weaknesses of an organization, as well as the external Opportunities and Threats created by the external business and economic environment—so from Strengths and Weaknesses, Opportunities and Threats we get SWOT

A SWOT is often presented as a simple 2 by 2 table, showing the strengths, weaknesses, opportunities and threats relevant to a business. Strengths and weaknesses are internal factors, opportunities and threats are external to the organisation.

	Positive	Negative
Internal	Strengths	Weaknesses
External	Opportunities	Threats

SWOT's are often used when developing a business' marketing strategy, but it should be noted that SWOT Analysis is an effective method of identifying strengths and weaknesses, and for examining opportunities and threats faced by any business function, such as:

- Manufacturing -efficiency, capacity.
- Sales - marketing, distribution.
- Management systems - expertise.
- Products - quality, pricing.

## Why use a SWOT?

The objective of using a SWOT is the development of a plan that considers many different internal and external factors and maximizes the potential of the strengths and opportunities while minimizing the impact of the weaknesses and threats.

The idea of a SWOT is then to gain an overall picture of all potential influences on future business success, and adapt business strategy to reflect these influences. SWOT's are often prepared as part of the process of developing a strategic plan, or planning a solution to a problem. Often carrying out an analysis using the SWOT framework will be enough to reveal changes which can be usefully to the future success of the firm.

## How to use a SWOT.

There are four distinct stages to using a SWOT. These stages are:

1. Internal Analysis: Examining the capabilities of the organization, or part of the organisation. This can be done by analysing the organisation's strengths and weaknesses.
2. External Analysis: Gather data on markets, competitor activities economic outlook, and the environmental impact of the business. Identify those points that pose opportunities for the organisation and those that pose threats or obstacles to performance. Decide whether the answers or the

data collected reveal external opportunities or threats.

3. Prepare SWOT table. Enter the information collected in steps one and two into a SWOT table

4. Use SWOT to develop a strategic plan

### Contents of the SWOT Analysis Table.

A SWOT Analysis is likely to contain answers to the following questions:

#### Strengths:

A strength is only a strength when a company is good at something and also takes advantage of this strength i.e. a successful application of a competency or exploitation of a critical factor to develop company competitiveness.

When examining strengths a business will ask the questions What are our advantages? What do we do well?

Examples of strengths will include:

- Effective distribution networks
- Strong Brand identity
- High staff moral
- Being seen as a price leader
- Good industrial relations

#### Weaknesses:

A weakness occurs when a company performs poorly in an important area of operations or when it fails to take advantage of an existing strength i.e. an unsuccessful application of a competency or the non-exploitation of a critical factor that diminishes company competitiveness. When examining weaknesses a business will ask the

questions. What could be improved? What is done badly? What should be avoided?

Examples of weaknesses include:

- Limited product range
- Poor investment record in technology
- High levels of staff turnover
- Failing to achieve industry benchmarks
- Bad debt or cash-flow problems?

#### Opportunities

An opportunity is an external condition that could positively impact on the performance and improve competitive advantage provided positive action is taken in time. When examining opportunities a business will ask the questions What are the interesting market trends? Are our competition suffering? Are new market niches appearing? Are there opportunities for take-overs? Has legislation recently changed?

Useful opportunities can come from such things as:

- Changes in technology and competitive structure of markets
- Changes in government policy related to the business' field
- Changes in social patterns, population profiles, lifestyle changes, fashion etc.

#### Threats

A threat is an external condition that could have a negative impact the company's critical performance and reduce competitive advantage, if positive action is not taken in time. When examining threats a business will ask the questions. What obstacles does the business face? What is the competition doing? Are the required specifications for the business' job, products or services changing?

Is changing technology threatening the business' position?

Examples of threats will include;

- Economic recession
- Changing consumer incomes or tastes
- New product launches by competitors
- Environmental legislation
- New or increased taxes
- New technologies being used by competitors

Using the SWOT

Once the SWOT has been completed, the information can be used to help develop a strategy that uses the strengths and opportunities to reduce the weaknesses and threats, and to achieve the objectives of the firm. From the findings of the SWOT, a business strategy may be readily apparent or, as is more likely the case, a series of strategies or combinations of tactics will suggest themselves.

The key to using the results of a SWOT effectively is to:

- Build on strengths
- Resolve weaknesses
- Exploit opportunities
- Avoid threats.

### Example SWOT Analysis for Starbucks Strengths.

Starbucks Corporation is a very profitable organization, earning in excess of \$600 million in 2004. The company generated revenue of more than \$5000 million in the same year.

It is a global coffee brand built upon a reputation for fine products and services. It has almost 9000 cafes in almost 40 countries.

Starbucks was one of the Fortune Top 100 Companies to Work For in 2005. The company is a respected employer that values its workforce.

The organisation has strong ethical values and an ethical mission statement as follows, 'Starbucks is committed to a role of environmental leadership in all facets of our business.'

### Weaknesses.

Starbucks has a reputation for new product development and creativity. However, they remain vulnerable to the possibility that their innovation may falter over time.

The organisation has a strong presence in the United States of America with more than three quarters of their cafes located in the home market. It is often argued that they need to look for a portfolio of countries, in order to spread business risk.

The organisation is dependant on a main competitive advantage, the retail of coffee. This could make them slow to diversify into other sectors should the need arise.

### Opportunities.

Starbucks are very good at taking advantage of opportunities. In 2004 the company created a CD-burning service in their Santa Monica (California USA) cafe with Hewlett Packard, where customers create their own music CD.

New products and services that can be re-tailed in their cafes, such as Fair Trade products.

The company has the opportunity to expand its global operations. New markets for cof-

fee such as India and the Pacific Rim nations are beginning to emerge.

Co-branding with other manufacturers of food and drink, and brand franchising to manufacturers of other goods and services both have potential.

### Threats.

Who knows if the market for coffee will grow and stay in favour with customers, or whether another type of beverage or leisure activity will replace coffee in the future?

Starbucks are exposed to rises in the cost of coffee and dairy products.

Since its conception in Pike Place Market, Seattle in 1971, Starbucks' success has led to the market entry of many competitors and copy cat brands that pose potential threats.

The full effects of the recession on coffee consumption is not yet known

Tax affairs could put customers off.

Starbucks SWOT Analysis from MarketingTeacher.com.

### Notes