

## SWOT Analysis

### PART 1

A SWOT analysis is commonly used in marketing and business in general as a method of identifying opposition for a new venture or strategy. Short for ***Strengths, Weaknesses, Opportunities and Threats***, this allows professionals to identify all of the positive and negative elements that may affect any new proposed actions.

In SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis, the analyst first looks into the business unit to identify its strengths and weaknesses. The analyst then reviews the environment in which the business unit operates and identifies opportunities presented by that environment and the threats posed by that environment. The following lists show questions that an analyst would ask in conducting a SWOT analysis.

#### Strengths

- What does the company do well?
- Is the company strong in its market?
- Does the company have a strong sense of purpose and the culture to support the purpose?

#### Weaknesses

- What does the company do poorly?
- What problems could be avoided?
- Does the company have serious financial liabilities?

#### Opportunities

- Are industry trends moving upward?
- Do new markets exist for the company's products/ services?
- Are there new technologies that the company can exploit?

#### Threats

- What are competitors doing well?
- What obstacles does the company face?
- Are there troubling changes in the company's business environment (technologies, laws, and regulations)?

## **PART II**

The following case study demonstrates how SWOT can be used to create a strong business strategy.

### **Case Study**

In the mid-1990s, **Dell Computer** used a SWOT analysis to create a strong business strategy that has helped it become a very strong competitor in its industry value chain. Dell identified its strengths in selling directly to customers and in designing its computers and other products to reduce manufacturing costs. It acknowledged the weakness of having no relationships with local computer dealers.

Dell faced threats from competitors such as **Compaq** and **IBM**, both of which had much stronger brand names and reputations for quality at that time. Dell identified an opportunity by noting that its customers were becoming more knowledgeable about computers and could specify exactly what they wanted without having Dell salespersons answer questions or develop configurations for them. It also saw the internet as potential marketing tool.

The results of dell's SWOT analysis are:

#### **Strengths**

- Sell directly to consumers
- Keep costs below competitors' costs

#### **Weaknesses**

- No strong relationships with computer retailers

#### **Opportunities**

- Consumer desire for one-stop shopping
- Consumers know what they want to buy
- Internet could be a powerful marketing tool

#### **Threats**

- Competitors have stronger brand names
- Competitors have strong relationships with computer retailers

The strategy that Dell followed after doing the analysis took all four of the SWOT elements into consideration. Dell decided to offer customized computers built to order and sold over the phone, and eventually, over the internet. Dell's strategy

capitalized on its strengths and avoiding relying on a dealer network. The brand and quality threats posed by Compaq and IBM were lessened by Dell's ability to deliver higher perceived quality because each computer was custom made for each buyer.

**Part 1 Questions:**

Answer the following questions on separate sheets of paper.

1. Certain elements of the SWOT Analysis relate to events or conditions within the company (internal) while other elements relate to events or conditions outside the company (external). Explain the four elements of a SWOT analysis and be sure to indicate which elements are internal and which are external.
2. Used not only in Marketing, SWOT analysis has gained a strong-hold as a commonly used tool in other areas such as Management, Psychology, Personal Development and Personnel Management. Using a layout similar to the one below, create a SWOT analysis about the person you know best, yourself.

SWOT Analysis for _____		Date _____
	Positive	Negative
Internal	<p><u>Strengths</u></p> <ul style="list-style-type: none"> <li>• Strength 1</li> <li>• Strength 2</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> <li>• Weakness 1</li> <li>• Weakness 2</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>
External	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> <li>• Opportunity 1</li> <li>• Opportunity 2</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>	<p><u>Threats</u></p> <ul style="list-style-type: none"> <li>• Threat 1</li> <li>• Threat 2</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>

*Caption xxx*