Introduction to Management

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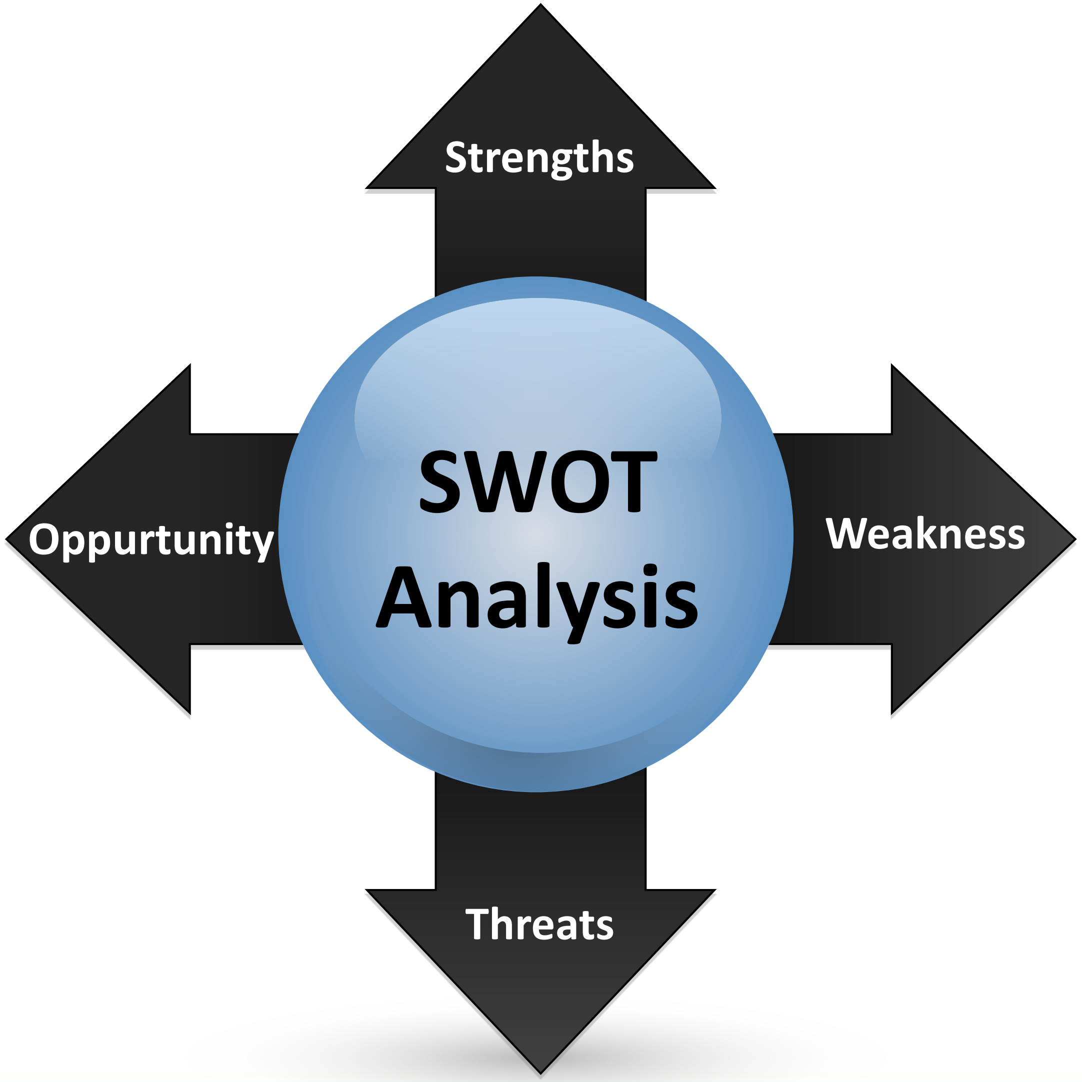
SWOT Analysis

What is SWOT Analysis?

SWOT is a business or strategic planning technique used to summarise the key components of the company's strategic environment.

SWOT analysis (strengths, weaknesses, opportunities, and threats analysis) is a framework for identifying and analyzing the internal and external factors that can have an impact on the viability of a project, product, place or person.

What is SWOT Analysis?



- Acronym for **Strengths**, **Weaknesses**, **Opportunities**, and **Threats**.
- **Planning tool** used to understand Strengths, Weaknesses, Opportunities, & Threats involved in a project / business.
- Technique that enables a group / individual to move from everyday problems / traditional strategies to a **fresh perspective**.

SWOT Analysis

SWOT is a summary of

- **S**trengths
- **W**eaknesses
- **O**pportunities
- **T**hreats

Internal

External

Internal vs. External

- **Strengths and Weaknesses** are considered ***internal*** factors---meaning you as the business owner can control them. How a company manage or market the business controls whether it is a strength or weakness

- **Opportunities and Threats** are considered *external* factors---meaning company have little control over them. It is the job as a business owner to **respond** appropriately .

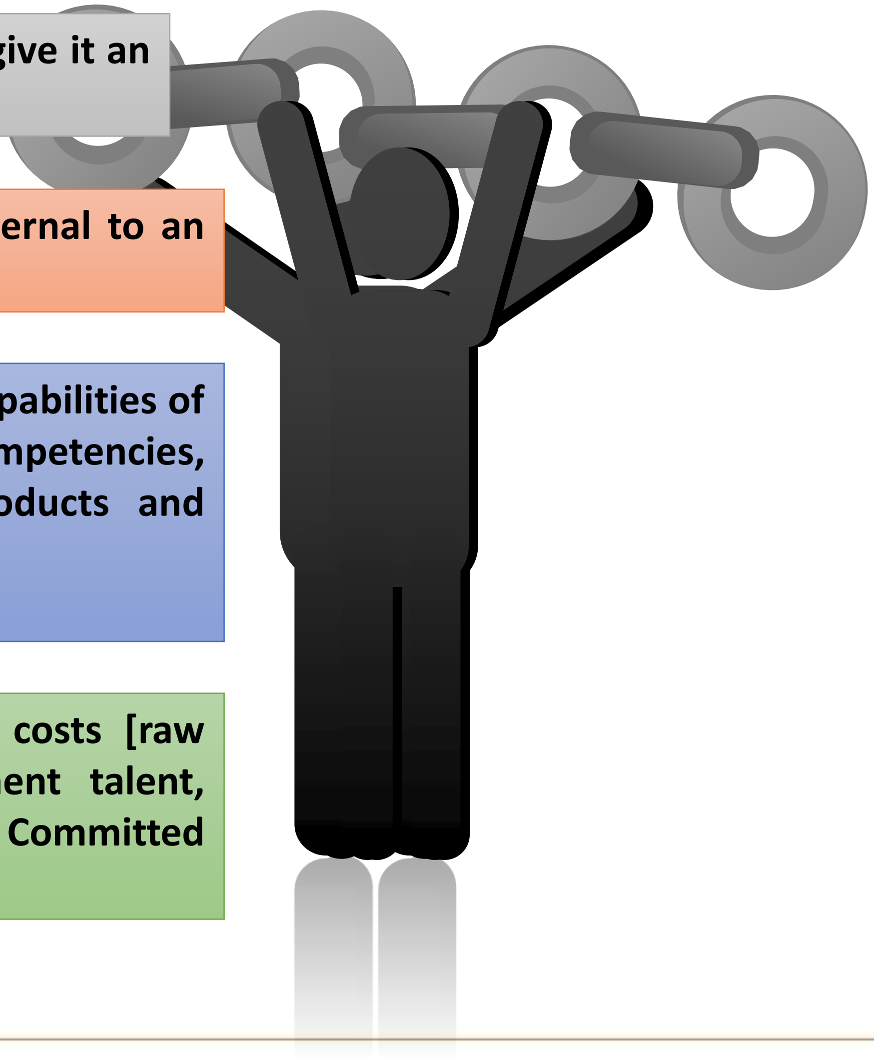
SWOT analysis examines four elements…

- Strengths - internal attributes and resources that support a successful outcome.
- Weaknesses - internal attributes resources that work against a successful outcome.
- Opportunities - external factors the project can capitalize on or use to its advantage.
- Threats - external factors that could jeopardize the project.

What is SWOT Analysis?

STRENGTHS

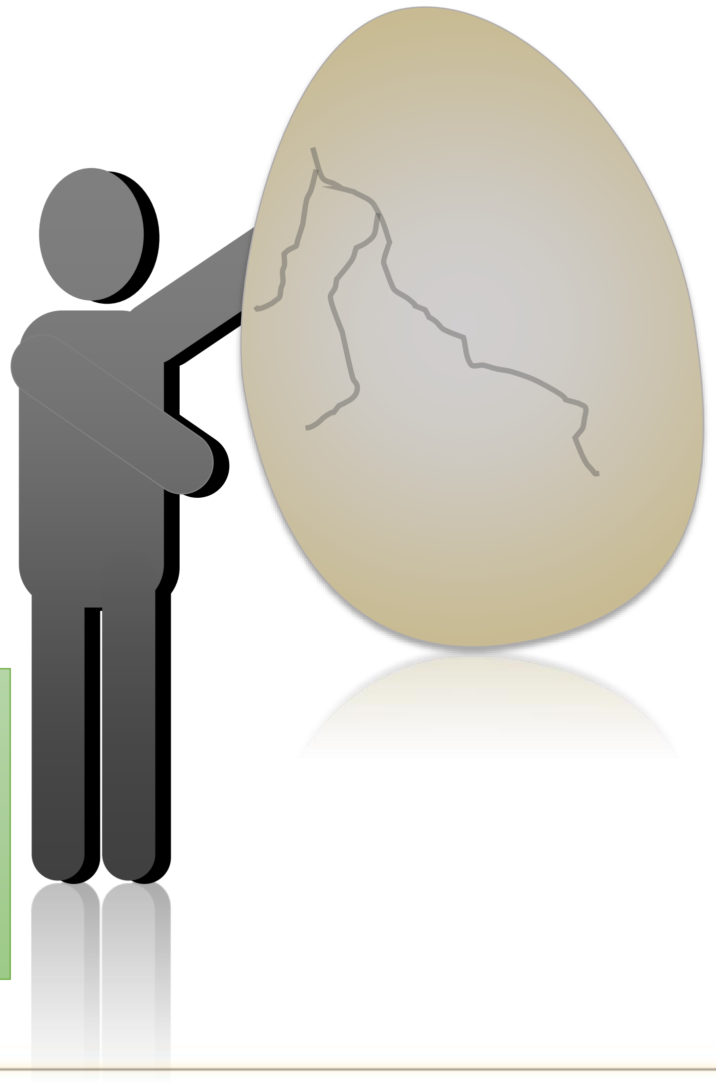
- Characteristics of the business or a team that give it an advantage over others in the industry.
- Positive tangible and intangible attributes, internal to an organization.
- Beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty.
- Examples - Well-known brand name, Lower costs [raw materials or processes], Superior management talent, Better marketing skills, Good distribution skills, Committed employees.



What is SWOT Analysis?

WEAKNESSES

- Characteristics that place the firm at a disadvantage relative to others.
- They detract the organization from its ability to attain the core goal and negatively affect its growth.
- Weaknesses are the factors that do not meet the standards they should meet. However, often weaknesses are controllable. They must be minimized and eliminated.
- Examples - Limited financial resources, Limited distribution, Higher costs, Out-of-date products / technology, Weak market image, Poor marketing skills, Limited management skills.



What is SWOT Analysis?

OPPORTUNITIES

- Chances to make greater profits in the environment - External attractive factors that represent the reason for an organization to exist & develop.
- They arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable.
- The organization should recognize the opportunities and grasp them whenever they arise. Opportunities may arise from market, competition, industry/government and technology.
- Examples - Rapid market growth, Changing customer needs/tastes, New uses for product discovered, Economic boom, Sales decline for a substitute product.

What is SWOT Analysis?

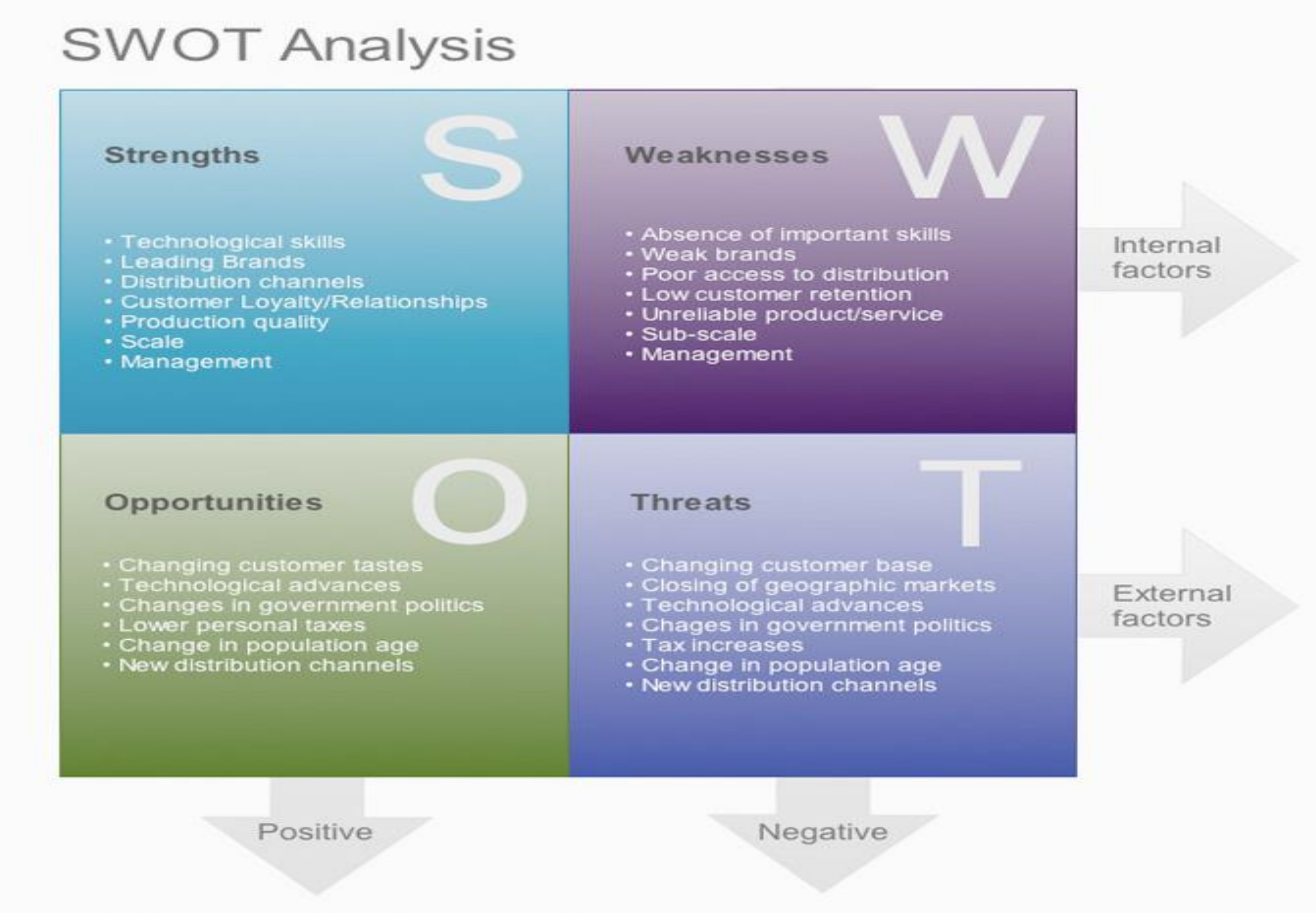
THREATS

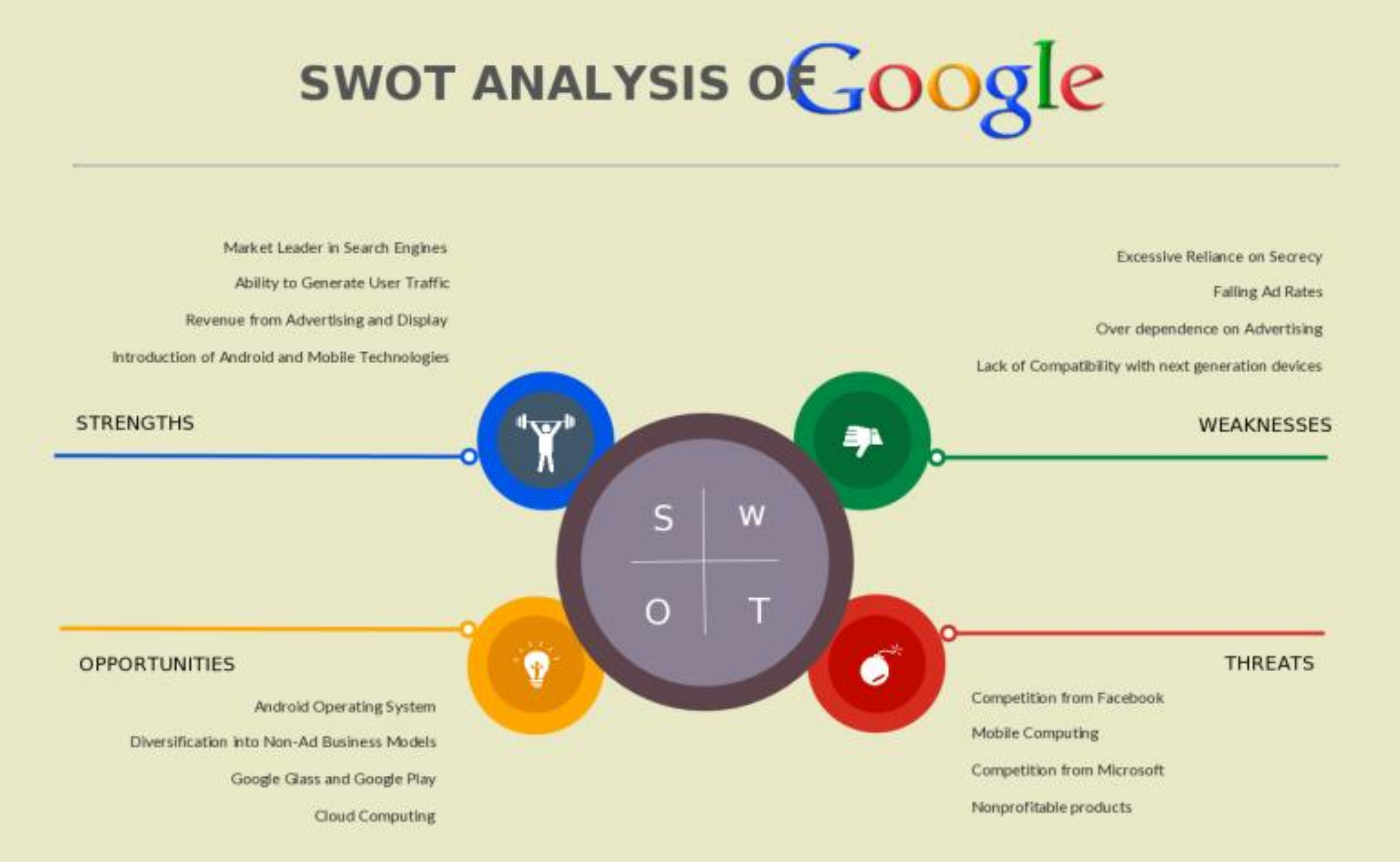
- **External elements in the environment that could cause troubles for the business - External factors, beyond an organization’s control, which could place the organization’s mission or operation at risk.**

- **They arise when conditions in the external environment jeopardize the reliability and profitability of the organization’s business.**

- **Examples - Entry of foreign competitors, Changing customer needs/tastes, Rival firms that adopt new strategies, Increased government regulation, Economic downturn.**

How to conduct SWOT Analysis?




SWOT ANALYSIS OF Google
STRENGTHS
Market Leader in Search Engines
Ability to Generate User Traffic
Revenue from Advertising and Display
Introduction of Android and Mobile Technologies
WEAKNESSES
Excessive Reliance on Secrecy
Falling Ad Rates
Over dependence on Advertising
Lack of Compatibility with next generation devices
S
W
O
T
OPPORTUNITIES
Android Operating System
Diversification into Non-Ad Business Models
Google Glass and Google Play
Cloud Computing
THREATS
Competition from Facebook
Mobile Computing
Competition from Microsoft
Nonprofitable products

SWOT ANALYSIS OF NIKE

S

Nike is the world's no. 1 shoemaker. It designs and sells shoes for a variety of sports including baseball, golf, cheer leading, volleyball, tennis and football. Nike uses a "Make to Stock" customer order which provides a fast service to customers from available stock.

Nike operates Nike Town shoe and sportswear stores, Nike factory outlets and Nike Women shops. Nike sells its products throughout US and in more than 180 countries.

Nike is strong at research and development, as is evidenced by its evolving and innovative product range. They then manufacture wherever they can produce high quality product at the lowest possible price.

Nike is a global brand. It is the number one sports brand in the World. Its famous 'Swoosh' is instantly recognizable, and Phil Knight (Founder and CEO) even has it tattooed on his ankle.

W

The income of the business is still heavily dependent upon its share of the footwear market. This may leave it vulnerable if for any reason its market share erodes.

The retail sector is very price sensitive. However, most of its income is derived from selling into retailers. Retailers tend to offer a very similar experience to the consumer. So margins tend to get squeezed as retailers try to pass some of the low price competition pressure onto Nike.

O

The brand is fiercely defended by its owners whom truly believe that Nike is not a fashion brand however consumers that wear Nike product do not always buy it to participate in sport. In youth culture especially, Nike is a fashion brand.

There is also the opportunity to develop products such as sport wear, sunglasses and jewelry. Such high value items do tend to have associated with them, high profit

The business could also be developed internationally, building upon its strong global brand recognition. There are also global marketing events that can be utilized to support the brand such as the World Cup (soccer) and The Olympics.

T

Nike is exposed to the international nature of trade. It buys and sells in different currencies and so costs and margins are not stable over long periods of time. Such an exposure could mean that Nike may be manufacturing and/or selling at a loss. This is an issue that faces all global brands.

The market for sports shoes and garments is very competitive. Competitors are developing alternative brands to take away Nike's market share.

JUST DO IT.

THE SWOT ANALYSIS OF amazon

S

Being the world's leading online retailer
Three-pronged strategic thrust on cost leadership, differentiation, and focus
Enjoys top of the mind recall from consumers globally and this recognition has helped it enter new markets, which were hitherto out of bounds for many e-commerce companies
Using superior logistics and distribution systems, the company has been able to actualize better customer fulfillmen

W

In recent years, Amazon as part of its diversification strategy has been "spreading itself too thin" meaning that it has allowed its focus to waver from its core competence of retailing books online and allowed itself to venture into newer focus areas
As Amazon offers free shipping to its customers, it is in the danger of losing its margins and hence, might not be able to optimize on costs because of this strategy
Considering the fact that Amazon is an online only retailer, the single-minded focus on online retailing might "come in the way" of its expansion plans particularly in emerging market

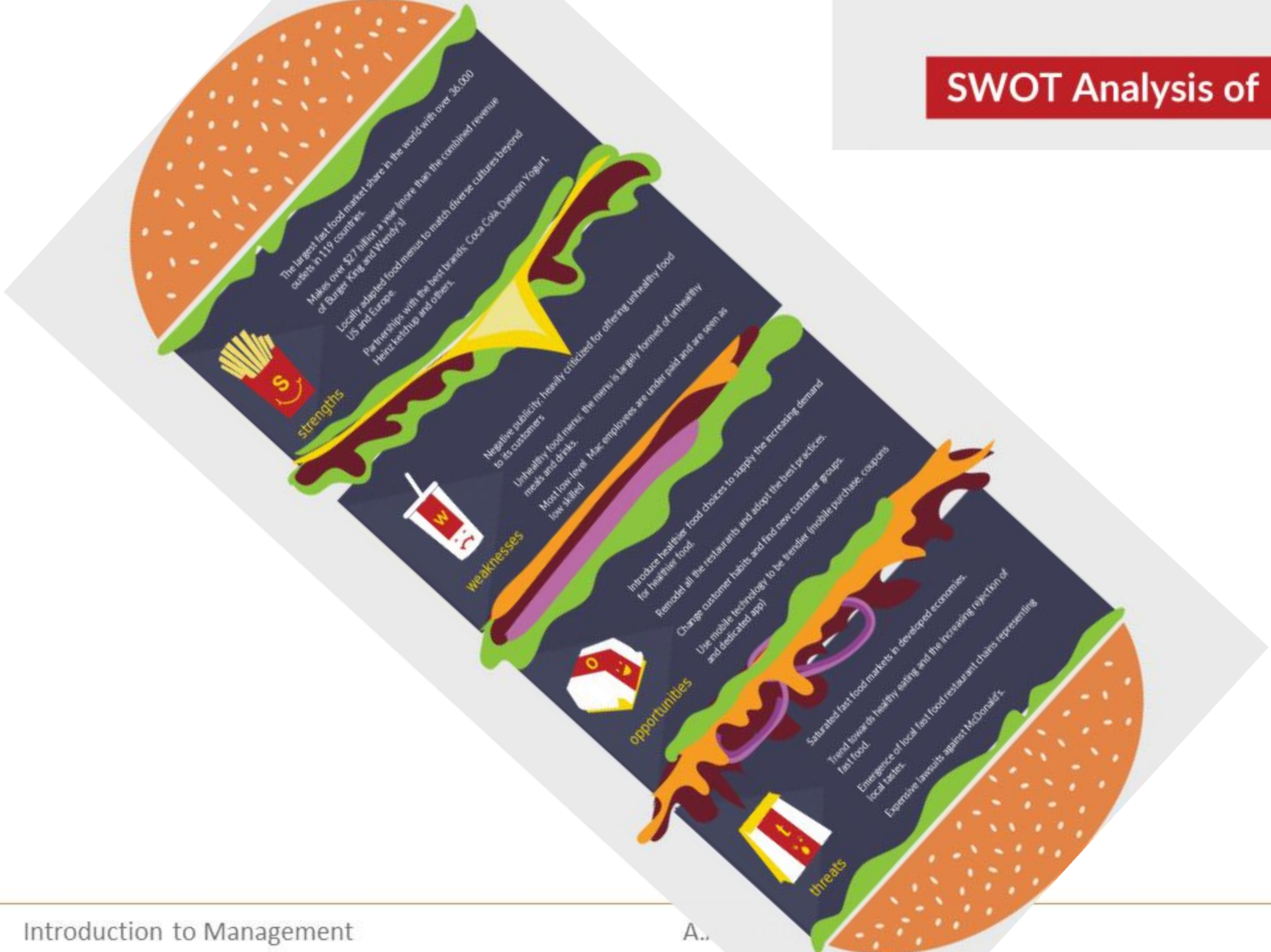
O

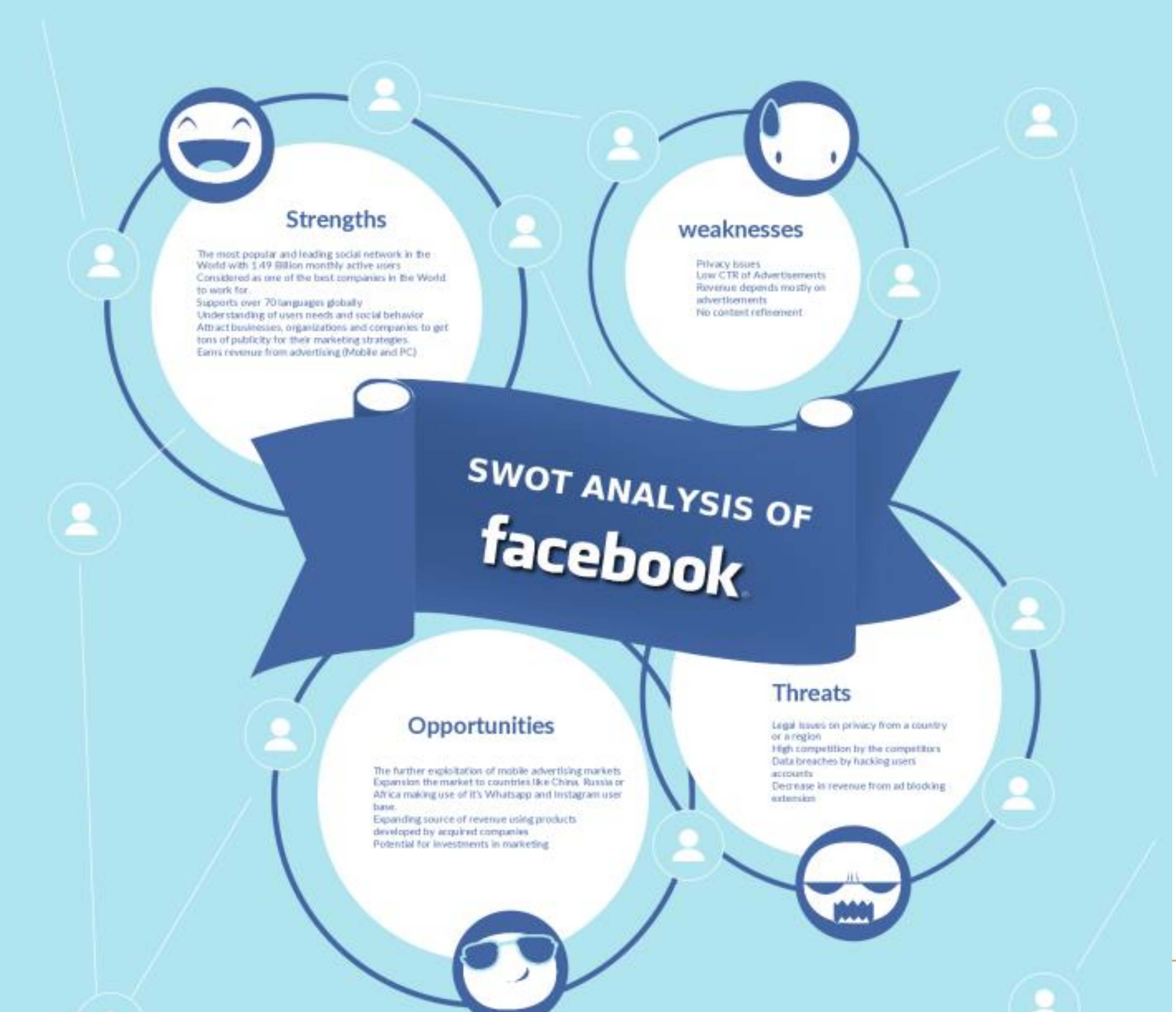
Opportunity to scale up considerably considering the fact that concerns over online shopping as far as security and privacy are concerned are among the topmost issues on the minds of consumers. Further, this would improve the company's margins as it lets it reap the advantages of using its own payment gateway
Amazon can capitalize on, relates to it rolling out more products under its own brand instead of being a forwarding site for third party products. In other words, it can increase the number of products under its own brand instead of merely selling and stocking products made by its partner

T

Increasing concern over online shopping because of identity theft and hacking which leaves its consumer data exposed. Therefore, Amazon has to move quickly to allay consumer concerns over its site and ensure that online privacy and security are guaranteed
Because of its aggressive pricing strategies, the company has had to face lawsuits from publishers and rivals in the retailing industry. The obsessive focus on cost leadership that Amazon follows has become a source of trouble for the company because of the competitors being upset with Amazon taking away the business from them

SWOT Analysis of




Strengths
The most popular and leading social network in the World with 1.49 Billion monthly active users
Considered as one of the best companies in the World to work for.
Supports over 70 languages globally
Understanding of users needs and social behavior
Attract businesses, organizations and companies to get tons of publicity for their marketing strategies.
Earns revenue from advertising (Mobile and PC)
weaknesses
Privacy issues
Low CTR of Advertisements
Revenue depends mostly on advertisements
No content refinement
SWOT ANALYSIS OF
facebook
Opportunities
The further exploitation of mobile advertising markets
Expansion the market to countries like China, Russia or Africa making use of it's Whatsapp and Instagram user base.
Expanding source of revenue using products developed by acquired companies
Potential for investments in marketing
Threats
Legal issues on privacy from a country or a region
High competition by the competitors
Data breaches by hacking users accounts
Decrease in revenue from ad blocking extension

STRENGTHS

- Ryanair is the 1st to launch low cost flights in Europe and has continuously maintained the low fare policy.
- They have a strong brand image and strong bargaining power in airport deals.
- New fleets results in maximum aircraft utilization.

WEAKNESSESS

- Earn publicity through negative press reporting which affect brand image.
- Very poor customer relations which is damaging to the success.
- Low level of understanding for employees.
- Misleading advertisements about ticket fares and destinations.

SWOT ANALYSIS

OPPORTUNITIES

- Withdrawal of traditional companies from most of the less traffic intense point to point routes using regional airports.
- Industry growth in European air travel industry
- Being an fine choice of most of the market due to recession

THREATS

- Upper middle class economy travelers may seek greater value proposition than just low fares.
- Increasing Prices of Oil Markets and fluctuating currency issues
- Terrorism
- Impending legislations for environment protection.

RYANAIR
THE LOW FARES AIRLINE

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Competitive Advantage

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In business management, a competitive advantage is the attribute that allows an organization to outperform its competitors. A competitive advantage may include access to natural resources, such as a low-cost power source, highly skilled employees, good geographic location, high entry barriers, and access to new technology.

Competitive advantage is the leverage that a business has over its competitors. This can be gained by offering clients a better and greater value. Consumers can be interested in products or services with lower prices or higher quality. Target markets recognize these unique products or services. This is the reason behind brand loyalty, or why customers prefer a particular product or service over another.

Competitive Advantage

These conditions allow the business to generate more sales or superior margins compared to its market rivals. Competitive advantages are attributed to a variety of factors including cost structure, branding, the quality of product offerings, the distribution network, intellectual property and customer service.

Value proposition is important when understanding the competitive advantage. Value proposition refers to a business or marketing statement that summarizes why a consumer should buy a product or use a service. If the value proposition is effective, that is the value proposition offers clients a better and greater value, it can produce a competitive advantage. The value proposition should be realistic otherwise it could create customer expectations that the business is not able to meet thus creating customer dissatisfaction.

Comparative Advantage

The two main types of competitive advantages are comparative advantage and differential advantage.

Comparative advantage is generated by a firm's ability to produce a good or service at a lower cost than its competitors, thus generating greater margins on sales. Rational consumers will choose the cheaper between perfect substitute products. For example, a car owner will buy gasoline from a gas station that is five cents cheaper than others in the proximity. For imperfect substitute products, for example Pepsi versus Coke, the comparative advantage doesn’t increase the sales, but it allows the company to reach higher margins of its competitors and eventually bring superior returns.

Comparative Advantage

Comparative advantage can be derived from economies of scale. Economies of scale refer to reduced costs per unit that arise from increased total output of a product. For example, a larger factory will produce power hand tools at a lower unit price, and a larger medical system will reduce cost per medical procedure. Comparative advantage can be also derived from efficient internal systems and geographic location. Some regions offer lower cost labor or low property expenses. A comparative advantage does not imply a better product or service, only that a product or service of the same value can be offered at a lower price. In the context of international trade economics, comparative advantages are determined by opportunity costs. Amazon.com Inc. is an example of a company focused on building and maintaining a comparative advantage. The ecommerce platform has a level of scale and efficiency that is difficult for retail competitors to replicate. Amazon has risen to prominence largely through price competition.

Differential Advantage

Differential Advantage

A differential advantage is created when a firm's products or services differ from those of competitors and are seen as superior than the competitors' offerings. Differential advantages can be driven by advanced technology, patent-protected products or processes, superior personnel or a strong brand identity. These factors support wide margins and large market shares. Apple Inc. is famous for creating innovative products, such as the iPhone, and supporting their market leadership with marketing campaigns to build an elite brand. Major drug companies can also market branded drugs at high prices because they are protected by patents.

Competitive Strategies

Michael Porter, a business scholar from the Harvard University, wrote a book in 1985 in which identified three strategies that businesses can use to tackle competition. These approaches can be applied to all businesses whether they are product-based or service-based. He called these approaches generic strategies. They include cost leadership, differentiation, and focus. These strategies have been created to improve and gain a competitive advantage over competitors. These strategies can also be recognized as the comparative advantage and the differential advantage.

Cost leadership strategy

Cost leadership is the business' ability to produce a product or service that will be at a lower cost than those of competitors. If the business is able to produce the same quality product but sell it for less, it gains a competitive advantage over other businesses. Therefore, this provides a price value to the customers. Lower costs will result in higher profits as businesses are still making a reasonable profit on each good or service sold. If businesses are not making a large enough profit, Porter recommends finding a lower-cost base such as labor, materials, and facilities. This gives businesses a lower manufacturing cost over those of competitors. The company can add value to the customer by transferring the cost benefit to them.

Differential strategy

A differential advantage is when the business' products or services are different to those of its competitors. In his book, Michael Porter recommended making those goods or services attractive to stand out from their competitors. The business will need strong research, development and design thinking to create innovative ideas. These improvements of the goods or services could include delivering high quality to customers. If customers perceive a product or service as different and better from others, consumers are willing to pay more to receive these benefits.

Focus strategy

Focus strategy ideally tries to get businesses to aim at a smaller target markets rather than trying to target everyone. This strategy is often used by smaller businesses since they may not have the appropriate resources or ability to target everyone. Businesses that use this method usually focus on the needs of customers and on how their products or services could improve their daily lives. By adopting this method, some firms may even let consumers give their inputs for their product or service.

This strategy can also be called the “segmentation strategy”, because it is based on the geographic, demographic, behavioral and physical segmentation of customers. By narrowing the market down to smaller segments, businesses are able to meet the needs of consumers. Porter believes that once businesses have decided what groups they will target, it is essential to decide if they will take the cost leadership approach or differentiation approach.

Competitive Factors

Porter mentions that it is important not to use all 3 generic strategies because there is a high chance that companies will come out achieving no strategies instead of achieving success. This can be called "stuck in the middle", and the business won't be able to have a competitive advantage

When businesses can find the perfect balance between price and quality, it usually leads to a successful product or service. A product or service must offer value through price or quality to ensure the business is successful in the market.

To succeed, it's not enough to be "just as good as" another business.

Success comes to firms that can deliver a product or service in a manner that is different, meaningful, and based on their customers' needs and desires.

Deciding on the appropriate price and quality depends on the business's brand image and what they hope to achieve in relation to their competition

Internal factors

Positioning is an important marketing concept. The main purpose of positioning is often to create the right perceptions in comparison to competitors. Thus, create competitive advantage. This positioning, or competitive advantage, is based on creating the right "image" or "identity" in the minds of the target group.

This positioning decision exists of selecting the right core competencies to build upon and emphasize.

Therefore, both corporate identity and core competencies are underlying internal factors of competitive advantage.

Corporate Identity

Corporate identity through corporate communication creates corporate image and reputation, with an end result of competitive advantage.

Corporate identity is the reality of an organization. It refers to the distinct characteristics or core competencies of the organization. It is the mental picture of the company held by its audiences. Corporate communication refers to all the official and informal communication sources, through a variety of media, by which the company outsources its identity to its audiences or stakeholders.

Core Competencies

Core competencies are part of the corporate identity.

A core competency is, for example, a specialised knowledge, technique, or skill.

To sustain leadership in a chosen core competency area, companies should seek to maximize their factoring share in the core products. When a company achieves this goal, it is able to shape the evolution of an end market.

The competitive advantage is stronger when it lasts for a long period of time. The companies able to maintain a competitive advantage for many years achieve a sustainable competitive advantage.

Low pricing

Economies of scale and efficient operations can help a company keep competition out by being the low-cost provider. Being the low-cost provider can be a significant barrier to entry. In addition, low pricing done consistently can build brand loyalty (i.e. Wal-Mart).

Market or Pricing Power

A company that has the ability to increase prices without losing market share is said to have pricing power. Companies that have pricing power are usually taking advantage of high barriers to entry or have earned the dominant position in their market.

Powerful Brands

It takes a large investment in time and money to build a brand. It takes very little to destroy it. A good brand is invaluable because it causes customers to prefer the brand over competitors. Being the market leader and having a great corporate reputation can be part of a powerful brand and a competitive advantage.

Strategic assets

Patents, trademarks, copy rights, domain names, and long-term contracts are examples of strategic assets that provide sustainable competitive advantages. Companies with an excellent research and development function may have valuable strategic assets.

Barriers To Entry

Cost advantages of an existing company over a new company is the most common barrier to entry. High investment costs (i.e. new factories) and government regulations are common impediments to companies trying to enter new markets. High barriers to entry sometimes create monopolies or near monopolies (i.e. utility companies).

Adapting Product Line

A product that never changes is ripe for competition. A product line that can evolve allows for improved or complementary follow up products that keeps customers coming back for the “new” and improved versions (i.e. Apple iPhone) and possibly some accessories to go with it.

Product Differentiation

A unique product or service builds customer loyalty and is less likely to lose market share to a competitor than an advantage based on cost. The quality, number of models, flexibility in ordering (i.e. custom orders), and customer service are all aspects that can positively differentiate a product or service.

Strong Balance Sheet / Cash

Companies with low debt and/or lots of cash have the flexibility to make opportune investments and never have a problem with access to working capital, liquidity, or solvency. The balance sheet is the foundation of the company.

Outstanding Management / People

There is always the intangible of outstanding management. This is hard to quantify, but there are winners and losers. Winners seem to make the right decisions at the right time. Winners somehow motivate and get the most out of their employees, particularly when facing challenges. Management that has been successful for a number of years is a competitive advantage.

Resources and Capabilities

According to the resource-based view, in order to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors simply could replicate what the firm is doing, and any advantage quickly would disappear.

Resources are the firm-specific assets useful for creating a cost or differentiation advantage and that few competitors can easily acquire.

Capabilities refer to the firm's ability to utilize its resources effectively. An example of a capability is the ability to bring a product to market faster than competitors. Such capabilities are embedded in the routines of the organization, are not easily documented as procedures and, thus, are difficult for competitors to replicate.

The firm's resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage.

Dynamic capabilities

Dynamic capabilities are defined as the ability of companies to create, adapt or modify their own resources and skills in response to rapidly changing contexts.

There are three macro-categories of dynamic capabilities:

- Sensing - the firm's capability to identify opportunities and threats in the environment through research activities, tests and experimentation, aimed at understanding the expressed or latent needs of consumers, the responses of suppliers and competitors as well as the structural evolution of markets and the opportunities for innovation and technological development;
- Seizing - the firm's capability to seize the opportunities identified by adapting the sizing of its offer, its business model, its boundaries, and by critically analyzing the errors made to redefine its decision-making processes;
- Reconfiguration - the firm's capability to recombine and reconfigure its assets according to the changes in the environment, particularly through the adaptation of the organizational structure, the knowledge management, the collaboration with other companies and the exchange of best practices for innovation.