

# How to Perform SWOT Analysis

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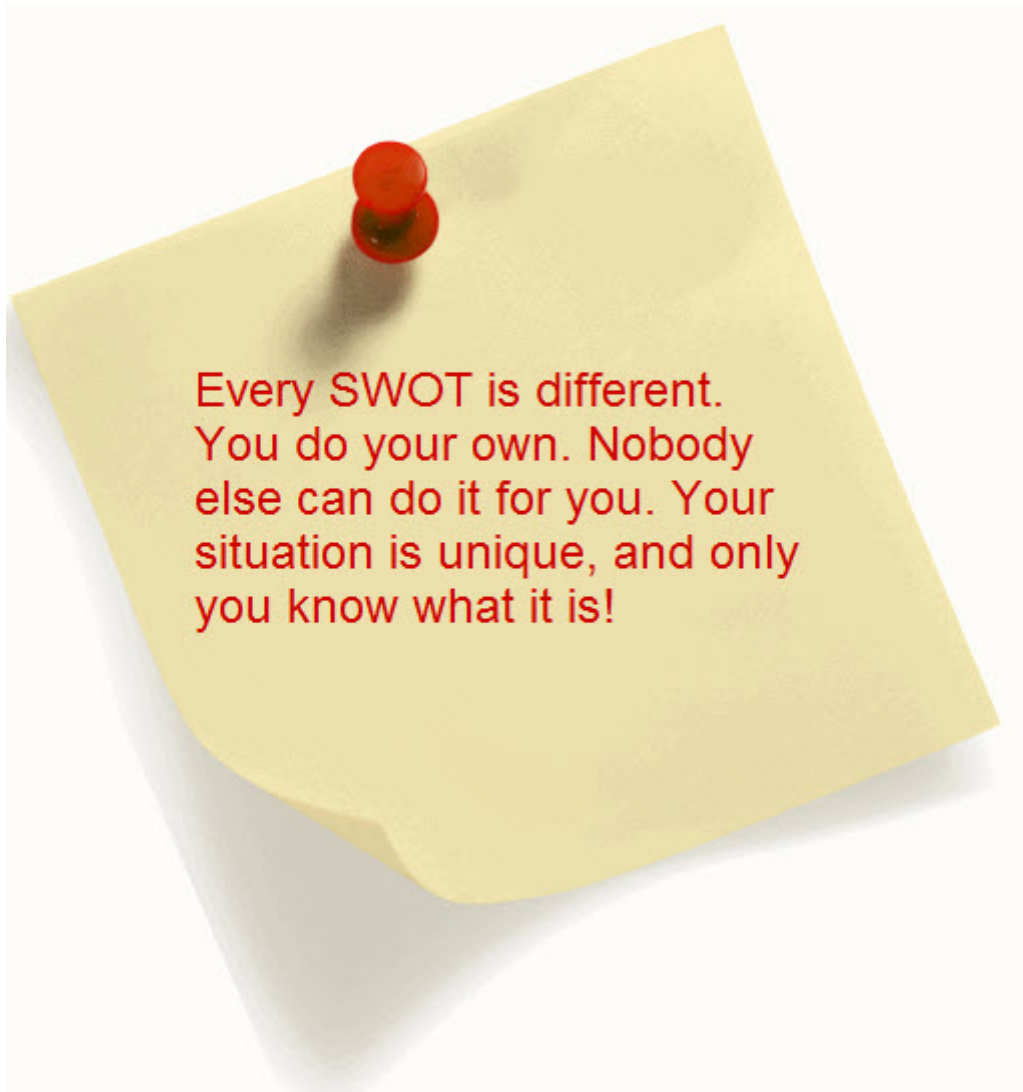
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The SWOT analysis is a valuable step in your situational analysis. Assessing your firm's strengths, weaknesses, market opportunities, and threats through a SWOT analysis is a very simple process that can offer powerful insight into the potential and critical issues affecting a venture.

<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<b>Threats</b>

The SWOT analysis begins by conducting an inventory of internal strengths and weaknesses in your organization. You will then note the external opportunities and threats that may affect the organization, based on your market and the overall environment. Don't be concerned about elaborating on these topics at this stage; bullet points may be the best way to begin. Capture the factors you believe are relevant in each of the four areas. You will want to review what you have noted here as you work through your [marketing plan](#). The primary purpose of the SWOT analysis is to identify and assign each significant factor, positive and negative, to one of the four categories, allowing you to take an objective look at your business. The SWOT analysis will be a useful tool in developing and

confirming your goals and your marketing strategy.



Some experts suggest that you first consider outlining the external opportunities and threats before the strengths and weaknesses. [Business Plan Pro](#), [LivePlan](#), and [Sales and Marketing Pro](#) will allow you to complete your SWOT analysis in whatever order works best for you, but you will want to review all four areas in detail.

## **Strengths**

Strengths describe the positive attributes, tangible and intangible, internal to your organization. They are within your control. What do you do well? What resources do you have? What advantages do you have over your

competition?

You may want to evaluate your strengths by area, such as marketing, finance, manufacturing, and organizational structure. Strengths include the positive attributes of the people involved in the business, including their knowledge, backgrounds, education, credentials, contacts, reputations, or the skills they bring. Strengths also include tangible assets such as available capital, equipment, credit, established customers, existing channels of distribution, copyrighted materials, patents, information and processing systems, and other valuable resources within the business.

Strengths capture the positive aspects internal to your business that add value or offer you a competitive advantage. This is your opportunity to remind yourself of the value existing within your business.

## **Weaknesses**

Note the weaknesses within your business. Weaknesses are factors that are within your control that detract from your ability to obtain or maintain a competitive edge. Which areas might you improve?

Weaknesses might include lack of expertise, limited resources, lack of access to skills or technology, inferior service offerings, or the poor location of your business. These are factors that are under your control, but for a variety of reasons, are in need of improvement to effectively accomplish your marketing objectives.

Weaknesses capture the negative aspects internal to your business that detract from the value you offer, or place you at a competitive disadvantage. These are areas you need to enhance in order to compete with your best competitor. The more accurately you identify your weaknesses, the more valuable the SWOT will be for your assessment.

## **Opportunities**

Opportunities assess the external attractive factors that represent the reason for your business to exist and prosper. These are external to your business. What opportunities exist in your market, or in the environment,

from which you hope to benefit?

These opportunities reflect the potential you can realize through implementing your marketing strategies. Opportunities may be the result of market growth, lifestyle changes, resolution of problems associated with current situations, positive market perceptions about your business, or the ability to offer greater value that will create a demand for your services. If it is relevant, place timeframes around the opportunities. Does it represent an ongoing opportunity, or is it a window of opportunity? How critical is your timing?

Opportunities are external to your business. If you have identified “opportunities” that are internal to the organization and within your control, you will want to classify them as strengths.

## **Threats**

What factors are potential threats to your business? Threats include factors beyond your control that could place your marketing strategy, or the business itself, at risk. These are also external – you have no control over them, but you may benefit by having contingency plans to address them if they should occur.

A threat is a challenge created by an unfavorable trend or development that may lead to deteriorating revenues or profits. Competition – existing or potential – is always a threat. Other threats may include intolerable price increases by suppliers, governmental regulation, economic downturns, devastating media or press coverage, a shift in consumer behavior that reduces your sales, or the introduction of a “leap-frog” technology that may make your products, equipment, or services obsolete. What situations might threaten your marketing efforts? Get your worst fears on the table. Part of this list may be speculative in nature, and still add value to your SWOT analysis.

It may be valuable to classify your threats according to their “seriousness” and “probability of occurrence.”

The better you are at identifying potential threats, the more likely you can position yourself to proactively plan for and respond to them. You will be

looking back at these threats when you consider your contingency plans.

### **The implications**

The internal strengths and weaknesses, compared to the external opportunities and threats, can offer additional insight into the condition and potential of the business. How can you use the strengths to better take advantage of the opportunities ahead and minimize the harm that threats may introduce if they become a reality? How can weaknesses be minimized or eliminated? The true value of the SWOT analysis is in bringing this information together, to assess the most promising opportunities, and the most crucial issues.

### **An example**

AMT is a computer store in a medium-sized market in the United States. Lately it has suffered through a steady business decline, caused mainly by increasing competition from larger office products stores with national brand names. The following is the SWOT analysis included in its marketing plan.

<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<b>Threats</b>

### **Strengths**

- 1.Knowledge. Our competitors are retailers, pushing boxes. We know systems, networks, connectivity, programming, all the Value Added Resellers (VARs), and data management.
- 2.Relationship selling. We get to know our customers, one by one. Our direct sales force maintains a relationship.
- 3.History. We've been in our town forever. We have the loyalty of customers and vendors. We are local.

## **Weaknesses**

- 1.Costs. The chain stores have better economics. Their per-unit costs of selling are quite low. They aren't offering what we offer in terms of knowledgeable selling, but their cost per square foot and per dollar of sales are much lower.
- 2.Price and volume. The major stores pushing boxes can afford to sell for less. Their component costs are less and they benefit from volume buying with the main vendors.
- 3.Brand power. Take one look at their full-page advertising, in color, in the Sunday paper. We can't match that. We don't have the national name that flows into national advertising.

## **Opportunities**

- 1.Local area networks. LANs are becoming commonplace in small businesses, and even in home offices. Businesses today assume LANs are part of normal office work. This is an opportunity for us because LANs are much more knowledge and service intensive than the standard off-the-shelf PC.
- 2.The Internet. The increasing opportunities of the Internet offer us another area of strength in comparison to the box-on-the-shelf major chain stores. Our customers want more help with the Internet and we are in a better position to give it to them.
- 3.Training. The major stores don't provide training, but as systems become more complicated with LAN and Internet usage, training is more in demand. This is particularly true of our main target markets.
- 4.Service. As our target market needs more service, our competitors are less likely than ever to provide it. Their business model doesn't include service, just selling the boxes.

## Threats

- 1.The computer as appliance. Volume buying and selling of computers as products in boxes, supposedly not needing support, training, connectivity services, etc. As people think of the computer in those terms, they think they need our service orientation less.
- 2.The larger price-oriented store. When they have huge advertisements of low prices in the newspaper, our customers think we are not giving them good value.

You can also review an example of a SWOT analysis within the online sample [marketing plans](#) available at [www.mplans.com](http://www.mplans.com).

Leveraging the insight the SWOT analysis can bring is time well invested.