

# SWOT Analysis

## Meaning

SWOT (strengths, weaknesses, opportunities, and threats) analysis is a framework used to evaluate a company's competitive position and to develop strategic planning. SWOT analysis assesses internal and external factors, as well as current and future potential.

A SWOT analysis is designed to facilitate a realistic, fact-based, data-driven look at the strengths and weaknesses of an organization, its initiatives, or an industry. The organization needs to keep the analysis accurate by avoiding pre-conceived beliefs or gray areas and instead focusing on real-life contexts. Companies should use it as a guide and not necessarily as a prescription.

SWOT analysis is a technique for assessing the performance, competition, risk, and potential of a business, as well as part of a business such as a product line or division, an industry, or other entity.

Using internal and external data, the technique can guide businesses toward strategies more likely to be successful, and away from those in which they have been, or are likely to be, less successful. An independent SWOT analysis analysts, investors or competitors can also guide them on whether a company, product line or industry might be strong or weak and why.

## Strengths

Strengths are internal, positive attributes of your company. These are things that are within your control.

- What business processes are successful?
- What assets do you have in your team, such as knowledge, education, network, skills, and reputation?
- What physical assets do you have, such as customers, equipment, technology, cash, and patents?
- What competitive advantages do you have over your competition?

## **Weaknesses**

Weaknesses are negative factors that detract from your strengths. These are things that you might need to improve on to be competitive.

- Are there things that your business needs to be competitive?
- What business processes need improvement?
- Are there tangible assets that your company needs, such as money or equipment?
- Are there gaps on your team?
- Is your location ideal for your success?

## **Opportunities**

Opportunities are external factors in your business environment that are likely to contribute to your success.

- Is your market growing and are there trends that will encourage people to buy more of what you are selling?
- Are there upcoming events that your company may be able to take advantage of to grow the business?
- Are there upcoming changes to regulations that might impact your company positively?
- If your business is up and running, do customers think highly of you?

## **Threats**

Threats are external factors that you have no control over. You may want to consider putting in place contingency plans for dealing them if they occur.

- Do you have potential competitors who may enter your market?
- Will suppliers always be able to supply the raw materials you need at the prices you need?
- Could future developments in technology change how you do business?

- Is consumer behavior changing in a way that could negatively impact your business?
- Are there market trends that could become a threat?

## **Advantages of SWOT Analysis**

SWOT Analysis is instrumental in strategy formulation and selection. It is a strong tool, but it involves a great subjective element. It is best when used as a guide, and not as a prescription. Successful businesses build on their strengths, correct their weakness and protect against internal weaknesses and external threats. They also keep a watch on their overall business environment and recognize and exploit new opportunities faster than its competitors.

SWOT Analysis helps in strategic planning in following manner-

- a. It is a source of information for strategic planning.
- b. Builds organization's strengths.
- c. Reverse its weaknesses.
- d. Maximize its response to opportunities.
- e. Overcome organization's threats.
- f. It helps in identifying core competencies of the firm.
- g. It helps in setting of objectives for strategic planning.
- h. It helps in knowing past, present and future so that by using past and current data, future plans can be chalked out.

SWOT Analysis provide information that helps in synchronizing the firm's resources and capabilities with the competitive environment in which the firm operates.

## **Limitations of SWOT Analysis**

SWOT Analysis is not free from its limitations. It may cause organizations to view circumstances as very simple because of which the organizations might overlook certain key strategic contact which may occur. Moreover, categorizing aspects as strengths, weaknesses,

opportunities and threats might be very subjective as there is great degree of uncertainty in market. SWOT Analysis does stress upon the significance of these four aspects, but it does not tell how an organization can identify these aspects for itself.

There are certain limitations of SWOT Analysis which are not in control of management. These include-

- a. Price increase;
- b. Inputs/raw materials;
- c. Government legislation;
- d. Economic environment;
- e. Searching a new market for the product which is not having overseas market due to import restrictions; etc.

**Internal limitations may include-**

- a. Insufficient research and development facilities;
- b. Faulty products due to poor quality control;
- c. Poor industrial relations;
- d. Lack of skilled and efficient labor; etc

## **SWOT Analysis example of Burger King**

### **Strengths**

1. **Global Operations:** It is 2<sup>nd</sup> largest fast food hamburger restaurant. Burger King was founded in Miami, Florida in 1953 by Jim McLamore and David Edgerton. The company operates approximately 40 subsidiaries globally that oversee franchise operations, acquisitions and financial obligations.

2. **Strong Franchise network:** Burger king is known to be present in 79 countries. It has 13000 franchises & company owned outlets. Out of 13k outlets only 10% are company owned outlets rest are owned by franchise.
3. **Strong Product line:** Apart from offering hamburgers in different sizes, it also serves grilled burgers, breakfast meals, beverages, desserts, sandwiches, Chicken items. It is the 2<sup>nd</sup> largest fast food restaurant chain in the world in terms of number of restaurants & sale.
4. **New Broiler for their outlets:** Company has completed the rollout of new flexible broilers. Fire-grilled bone-in ribs, extra-thick burgers and shrimp kebabs are just a few of the new offerings Burger King has added to their menus after this. The new broilers feature flexible cooking methods that enable Burger King to prepare virtually any type of product in order to have competitive edge over other players.
5. **Strong branding** – Burger king is equally strong in its branding efforts like McDonalds. Because it is yet in the expansion stage, there are many places where it does not have a presence. But places where it is present, it is known to capture the local audience smartly with its marketing activities.
6. **Less capital intensive** – 90% of Burger king outlets are owned by franchisee, a strategy which helped them in being focused towards innovating their menus rather than worrying about finances.

## Weakness

1. **Decreasing sales in mature markets:** Due to rise in health conscious population there is decrease in revenue affecting the business as a whole. According to the 2014's financial results announced by the parent company Restaurants Brands International Inc. Only APAC region registered **positive** sales growth rate 8.7%.
2. **Large franchisees:** Large number of franchised outlets results in difficulty in handling the operations whereas ensuring conformance of quality is also challenging & conflict aroused due to that can hamper BK's brand image.

3. **Unstable ownership** – Going from one hand to another, Since its inception in 1953 as Insta-Burger King, a Jacksonville, Florida-based restaurant chain company have changed hands 6 times. The current parent company is the result of restructuring where it got merged with Canadian-based doughnut chain Tim Hortons under the auspices of a new Canadian-based parent company, Restaurant Brands International.

## **Opportunities**

1. **Market Expansion:** Expanding to the developing markets will be beneficial as developed markets are maturing & people becoming more health conscious. Targeting the developing economies will be the future strategy of the industry.
2. **Market Penetration:** Strengthening its outlet network by further penetrating the current market will help Burger King to increase its revenues & become no.1 player in fast food chain market.
3. **Health conscious eatables:** Although burger king had made its restaurants Trans-fats free but still due to increasing awareness, healthy menus with new flavor additives which is low in fat will result in increase in revenues in future & will revamp the industry.

## **Threats**

1. **Competition:** Intensive competition from the local eating joints & international players McDonalds, Dominos, KFC, Subway & many more.
2. **Changing Consumer Eating habits:** With government & NGO's health awareness campaigns people are becoming more aware of what to consume & what to not which is affecting the business of fast food Industry as a whole.
3. **Raw Material prices:** Rise in the raw material prices may affect the industry as a whole, affecting BK's business is no exception to this.