Unit – III

Chapter – 6

- Conducting a SWOC (Strength, Weakness, Opportunity and Challenges)
- Analysis of competitors

SWOC ANALYSIS

S- Strength

W- Weakness

O- Opportunities

C- Challenges

- SWOC analysis is a strategic planning method used to research external and internal factors which affect company success and growth.
- Firms use SWOC analysis to determine the strengths, weaknesses, opportunities and challenges of their firm, products, and competition. Strengths and weaknesses are internal factors, while opportunities and challenges are external factors.

STRENGTHS

- Strengths are essentially the competitive advantages that the business possesses, and include the unique resources to which it has access, operational procedures it has perfected, technologies its own and its unique selling point.
- Examples are strong brands, popularity, cost advantages, patents and access to rare natural resources.

WEAKNESSES

- They are the factors that place the business at a disadvantage against its competition. Lack of certain strengths could even be a weakness. The perception of others is also important.
- For example, a poor reputation among customers could be harmful to a business is definitely a weakness.
- Knowing its own weaknesses allows a business to identify factors it should avoid in building strategic plans if it can’t convert them into strengths.

OPPRORTUNITIES

- Opportunities indicate external factors that the business can take advantage of.
- Trends related to the business could be counted as opportunities, as could changes in government policies and regulations.
- Social shifts and changing demographics also can be sources of opportunity, along with new technologies, relaxation of regulations and the competitor’s dissatisfied customers.
- Businesses can build their strategic plans around opportunities.

CHALLENGES

- The final step in SWOC analysis is acknowledging challenges.
- Here might find a consideration that has also been listed as opportunity-new technologies.
- For example, Tightening of regulations, changes in consumer demands, newer products and a changing competitive landscape can pose challenges.

CONDUCTING A SWOC

- A SWOC analysis is a tool for documenting internal strengths (S) and weaknesses (W) in your business, as well as external opportunities (O) and challenges(C).
- You can use this information in your business planning to help achieve your goals. To work out if something is an internal or external factor, ask yourself if it would exist even if your business didn't. If it would, then it's an external factor (e.g. new technology).

There are 8 steps to conduct a SWOC analysis.

1. Decide on the objective of your SWOC analysis

To get the most out of your SWOC analysis, you should have a question or objective in mind from the start. For example, you could use a SWOC analysis to help you decide if you should introduce a new product or service, or change your processes.

2. Research your business, industry and market:

Before you begin the SWOC analysis you need to do some research to understand your business, industry and market. Get a range of perspectives by talking to your staff, business partners and clients. Also conduct some market research and find out about your competitors.

3. List your business's strengths

- The first step is to identify and list what you think are your business's strengths.
- Examples could include strengths relating to employees, financial resources, your business location, cost advantages and competitiveness.

4. List your business's weaknesses

- List things in your business that you consider to be weaknesses (i.e. that put your business at a disadvantage to others).
- Weaknesses could include an absence of new products or clients, staff absenteeism, a lack of intellectual property, declining market share and distance to market.
- Make sure you address the weaknesses raised in your SWOT analysis.
- The list of weaknesses can indicate how your business has grown over time.
- When you review the SWOT analysis after a year, you may notice that your weaknesses have been resolved.
- While you may find new weaknesses, the fact that the old ones are gone is a sign of progress.

5. List potential opportunities for your business

- Think about the possible external opportunities for your business.
- These are not the same as your internal strengths, and are not necessarily definite - an opportunity for one aspect of your business could be a threat to another (e.g. you may consider introducing a new product to keep up with consumer trends, but your competitors may already have a similar product).
- Keep this in mind, but for the SWOC analysis, the same item shouldn't be listed as both an opportunity and a threat.
- Opportunities could include new technology, training programs, partnerships, a diverse marketplace and a change of government.

6. List potential threats to your business

- List external factors that could be a threat or cause a problem for your business.
- Examples of threats could include rising unemployment, increasing competition, higher interest rates and the uncertainty of global markets.

7. Establish priorities from the SWOC

- When you have completed the steps above, you will have 4 separate lists.
- Ideally, these lists can be displayed side-by-side so you can have an overall picture of how your business is running and what issues you need to address.
- You can then work out what issues are the most important and what can be dealt with later.

8. Develop a strategy to address issues in the SWOC

Review your 4 prioritized lists by asking:

- How can we use our strengths to take advantage of the opportunities identified?
- How can we use these strengths to overcome the threats identified?
- What do we need to do to overcome the identified weaknesses in order to take advantage of the opportunities?
- How will we minimize our weaknesses to overcome the identified threats?
- Once you have answered these questions and finalized your lists, you can now use the SWOT analysis to develop strategies for achieving your business goals.

COMPETITIVE ANALYSIS

- The competitive analysis is a statement of business strategies and how it related to competition. The purpose of the competitive analysis to determine the strength and weakness of the competitive within your market strategies that will provide you with the advantages- barriers that can be develop in order to prevent competition from entering your market and any weakness that can exploited within the product development cycle.
- A competitor analysis is the analysis of your competitors and how your business compares. By evaluating the strengths and weaknesses of your competition, you can begin to formulate how to give your company an advantage. Such an assessment is usually part of a company’s business or marketing plan, and provides context for growth plans.

Types of Competitors

The types of competitors evaluated include:

- **Direct** –Businesses that sell the same types of goods and services you do, to the same market. Such as gift shops, convenience stores, or florists, for example.
- **Indirect** –Businesses that sell substitute products or services, or items that can be used in place of yours. If you own a bakery, an indirect competitor might be a restaurant. If you run a scrapbook supply store, an indirect competitor could be a craft store.
- **Potential new entrants** –Although you can’t predict the future, any news you’ve picked up about new businesses entering your market should be taken into account as you analyse your current and future competition.

Identify Potential Competitors

It can be tough to predict when and where new competitors may pop up. For starters, regularly search for news on your industry, your products, your services, and your target market.

But there are other ways to predict when competition may follow you into a market. Other people may see the same opportunity you see. Think about your business and your industry, and if the following conditions exist, you may face competition does the road:

- The industry enjoys relatively high profit margins
- Entering the market is relatively easy and inexpensive
- The market is growing--the more rapidly it is growing the greater the risk of competition
- Supply and demand is off--supply is low and demand is high
- Very little competition exists, so there is plenty of "room" for others to enter the market

Competitive strategy usually falls into five areas:

- Product
- Distribution
- Pricing
- Promotion
- Advertising

Thus there are some critical steps to be followed by the organizations to outperform their competition. However, they will be able to stand out only when they know their competitors. This is where the step by step competition analysis comes in the picture.

STEPS FOR COMPETITIVE ANALYSIS

1) Identify current and future competitors in the market

- The best way to identify current and future competitors is to analyse your target products.
- Supposing you are currently selling juice tetra packs. You need to know how many branded and unbranded players are there in the market.
- You need to know if any new company is starting to sell juice packs or if any current company might stop selling the same.
- Furthermore, you also need to know how many of your customers prefer some other product over juice packs.
- Thus by doing this you knows your direct and indirect competition. This is the first step in competition analysis.

2) Finding market share

- Naturally, once you have identified the competition, the second step is to know their market share.
- You cannot know the strengths and weaknesses of your competition unless and until you know their presence.
- Thus if your product is selling in a wide region, you need to break down the region into territories and find out the share of wallet in each territory.
- While doing this, you can also do a mini market research to find the reason for the sale of your competition. Is it selling because it is easily available, quality is high or price is low. This step will help you perform a SWOT.

3) Performing SWOT (strength, weakness, opportunity and threat)

- Once you know the share of market and you have done your secondary and primary analysis, you need to actually work out the strengths, weaknesses, opportunities and threats for each of your competitor in turn.
- This is important as these shows where you currently stand in your industry, who do you need to benchmark to move forward and what strategies can be most effective to stay on top or to avoid a drop in rank.
- The SWOT is indirectly responsible for showing you the steps where you can capitalize and move ahead of your competition.

4) Build competition portfolio

- Once you know the SWOT of your competitors, you can build a competition portfolio.
- A competition portfolio will have each and every product of your competitors, their features, logistics, tangible features (product qualities) , intangible features (product service) etc.
- This portfolio needs to be treated like MIS and needs to be updated time to time.
- The best source for building a competition portfolio is your sales force itself. They are continuously in touch with the market and therefore can immediately notify you of any changes happening in the market.

5) Plan strategies

- Now you have your complete competition portfolio in front of you. Thus you clearly know your line of action.
- If the competition is far superior, you have two ways to move forward. You can either try the same strategies as top competitor and slowly move on top or you can go creative / innovative and try to directly take on the market leader.
- At the same time, if the competition is average and you can reach the top through some effort, then do not procrastinate and put the best strategies forward to reach the top at the earliest. Remember – If reaching the top takes much effort, then staying on top will take double the effort from the complete organization.

6) Execute strategies

- Execute the strategies which you think are the best and make sure of executing them effectively.
- There is no meaning of going to such an effort to analyse a competition and then fail at the implementation part.
- At the same time, it is very important to have a contingency plan and to anticipate your competitor's reaction.
- If your competitor reacts too strongly, put the contingency plan in place to avoid any long term affects to the brand / product.
- This might cause you to lose the advantage of surprise, but it definitely gives you more chances to form even better strategies. Thus contingency plans while executing strategies is very important.

7) Follow up

- Statistics are always useful for a firm and help the firm in practical decision making.
- Thus by following up you are making sure of quantitatively and qualitatively measuring the response to the executed strategy.
- Ideally, the same should be documented so that future generations of marketers may know the earlier strategies implemented and might be able to revive the same through different angles.
- At the same time, you might actually execute a strategy which gets excellent response from customers.

- In these cases too, you need to stick with the same strategy for a longer time and in such cases, it is crucial to have the feedback from your customers so as to know at all times whether the strategies are working effectively. Thus follow up is essential for long term competitor analysis.
- In the end, whatever strategies you make, your competitor is going to respond. Thus competitor analysis needs implementation and updating from time to time. Thus competitor analysis helps you in pin pointing your current standing in the market and the future direction.

REFERENCES

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☺ THANK YOU ☺