

Chapter 25 SWOT Analysis

Introduction

SWOT analysis is a useful method of summarizing all the information generated during the export planning. SWOT stands for strengths, weakness, opportunities and threats, which helps to isolate the strong and weak areas within an export strategy. SWOT also indicates the future opportunities or threats that may exist in the chosen markets and is instrumental in strategy formulation and selection.

To apply your own SWOT analysis, start by creating a heading for each category “Strengths”, “Weaknesses”, “Opportunities”, and “Threats”. Under each of these, write a list of five relevant aspects of your business and external market environment. Strengths and weaknesses apply to internal aspects of your business; opportunities and threats relate to external research.

Your final analysis should help you develop short and long term business goals and action plans, and help guide your market selection process.

Environmental factors internal to the company can be classified as strengths or weaknesses, and those external to the company can be classified as opportunities or threats.

Strengths

Business strengths are its resources and capabilities that can be used as a basis for developing a competitive-advantage. Examples of such strengths include:

- Patents
- Strong brand names.
- Good reputation among customers.
- Cost advantages from proprietary know-how.
- Exclusive access to high grade natural resources.
- Favorable access to distribution networks.

Weaknesses

The absence of certain strengths may be viewed as a weakness. For example, each of the following may be considered weaknesses:

- Lack of patent protection.
- A weak brand name.
- Poor reputation among customers.
- High cost structure.
- Lack of access to the best natural resources.
- Lack of access to key distribution channels.

Opportunities

The external environmental analysis may reveal certain new opportunities for profit and growth. Some examples of such opportunities include:

- An unfulfilled customer need.
- Arrival of new technologies.
- Loosening of regulations.
- Removal of international trade barriers.

Threats

Changes in the external environmental also may present threats to the firm. Some examples of such threats include:

- Shifts in consumer tastes away from the firm's products
- Emergence of substitute products.

- New regulations.
- Increased trade barriers

Successful

SWOT

Analysis

Simple rules for successful SWOT analysis:

- Be realistic about the strengths and weaknesses of the organization.
- Analysis should distinguish between where the organization is today, and where it could be in the future.
- Be specific.
- Always analyse in relation to your competition i.e. better than or worse than your competition.
- Keep your SWOT short and simple.

A SWOT analysis can be very subjective, and is an excellent tool for indicating the negative factors first in order to turn them into positive factors.