
SWOT analysis

2017-18

GATHERING INFORMATION TO HELP DEVELOP A STRATEGY

- ▶ The **internal audit**: analysis of the business *itself* and how it operates.
 - ▶ *products*: cost, quality, development
 - ▶ *finance*: profit, assets, cash flow
 - ▶ *production*: capacity, quality, efficiency, stock management
 - ▶ *internal organisation*: departmental structures
 - ▶ *human resources*: skills, training, recruitment
- ▶ The **external audit**: analysis of the environment in which the business operates. These *exogeneous* factors may be:
 - ▶ political
 - ▶ economic
 - ▶ social
 - ▶ technological
 - ▶ legal
 - ▶ environmental

GATHERING INFORMATION TO HELP DEVELOP A STRATEGY

EXTERNAL AUDIT

- ▶ External audit should analyse:
 - ▶ market/markets in which the business operates
 - ▶ competition in the market
 - ▶ PESTLE analysis (**p**olitical, **e**conomic, **s**ocial, **t**echnological, **l**egal, **e**nvironmental)

P	E	S	T	E	L
<ul style="list-style-type: none">- Government policy- Political stability- Corruption- Foreign trade policy- Tax policy- Labour law- Trade restrictions	<ul style="list-style-type: none">- Economic growth- Exchange rates- Interest rates- Inflation rates- Disposable income- Unemployment rates	<ul style="list-style-type: none">- Population growth rate- Age distribution- Career attitudes- Safety emphasis- Health consciousness- Lifestyle attitudes- Cultural barriers	<ul style="list-style-type: none">- Technology incentives- Level of innovation- Automation- R&D activity- Technological change- Technological awareness	<ul style="list-style-type: none">- Weather- Climate- Environmental policies- Climate change- Pressures from NGO's	<ul style="list-style-type: none">- Discrimination laws- Antitrust laws- Employment laws- Consumer protection laws- Copyright and patent laws- Health and safety laws

WHAT IS SWOT ANALYSIS

- ▶ **strengths:** what a business is good at – identified from *internal audit*
- ▶ **weaknesses:** what a business lacks – identified from *internal audit*
- ▶ **opportunities:** openings that the business might be able to exploit – identified from *external audit*
- ▶ **threats:** possible hazards that may damage the business – identified from *external audit*

AN EXAMPLE OF A SWOT ANALYSIS

SWOT analysis for Thorntons

STRENGTHS

- Progress is being made developing wholesale and third-party sales
- Market research suggests that the business is increasing its market share
- Online sales have increased significantly – albeit from a low base
- The historic brand is widely recognised

WEAKNESSES

- Profits declining
- Still too much reliance on high street shops (250 in 2014)
- Falling sales, partly caused by operational difficulties at a depot in Derbyshire

SWOT ANALYSIS

OPPORTUNITIES

- Overseas markets offer considerable potential for growth only 3 per cent of sales are currently from exports
- The business is working hard to get its products on the shelves of other retailers
- A number of new products could help lift sales, revenue and market share

THREATS

- Profit margins could suffer as a result of supermarket price wars
- Emerging competition from gift-selling rivals, such as Hotel Chocolat and Moonpig
- The cost of raw materials, such as sugar and cocoa, is subject to volatility

KEY TERMS

- ▶ **External audit:** an audit of the external environment in which it operates or government restrictions on its operations.
- ▶ **Internal audit:** an analysis of the business itself and how it operates.
- ▶ **SWOT analysis:** an analysis of the internal strengths and weaknesses of the business and opportunities and threats presented by its external environment
- ▶ **Trade association:** an organisation whose members are all involved in the same industry or trade. The organisation pursues the interests of these businesses.

KEY TERMS

REVISION OF CHAPTER 5

- ▶ **Subsidy:** a grant given to producers, usually to encourage production of a certain good
- ▶ **Supply:** the amount of a product that suppliers make available to the market at any given price in a given period of time
- ▶ **Supply curve:** a line drawn on a graph that shows how much of a good sellers are willing to supply at different prices

KEY TERMS

REVISION OF CHAPTER 6

- ▶ **Equilibrium price or market clearing price:** the price where supply and demand are equal
- ▶ **Excess demand:** the position where demand is greater than supply at a given price and there are shortages in the marketing
- ▶ **Excess supply:** the position where supply is greater than demand at a given price and there are unsold goods in the market
- ▶ **Total revenue or total expenditure:** the amount of revenue generated from the sale of goods calculated by multiplying price by quantity in a given period of time