

Business Club

SWOT Analysis

Authors: Amit Gunjan, Nikita Kishore, Yogshree Choukse

Editor: Harsh Agarwal



Table of Contents

1. What is SWOT Analysis?	2
2. Internal and External Factors	3
2.1. Example: SWOT of Apple	5
3. Drawbacks of SWOT	6
4. TOWS Analysis	7
4.1. Example: TOWS of Apple	9

What is SWOT Analysis?

A SWOT Analysis is a very basic framework that a lot of people are familiar with and have probably used earlier. It gives us a quick way to categorise whatever data we have of the company or business we want to analyse. It is such a general framework that it is even used for analysing one's personality. SWOT is the first step towards learning more complicated frameworks and something that is a necessity to master. Here we will walk you through a few fundamentals of a SWOT analysis and then present you with a few examples.

A SWOT Analysis helps you categorize your data into 4 basic categories - **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats. Here we have the general matrix for SWOT:



Internal and External Factors

The very first classification we make in the analysis is **Internal** and **External** factors.

Internal Factors: These are factors that are specific to the company and are well within the control of the company and its working. These factors can be identified and rectified (if necessary) by making changes in the internal configurations of the company.

Some examples are:

- **Physical and Human Resources:** The building and equipment, the skill set of employees
- **Finances:** Structure of financing, revenue, current cash reserves
- **Marketing Decisions:** How they position themselves in the market, their targeted customer base
- **Manufacturing and Distribution Channels:** Economies of scale & available technology for manufacturing and consequent implications on cost; reaching out to customers through a hassle-free medium
- **Work Environments and Business Ethics:** The conditions that the business functions under, are they conducive to innovation

External Factors: These are factors that the company ideally has no control over but those that have a big influence on the workings of business.

- **Shifts in the culture and preferences of consumers:** Tastes constantly change and evolve, sometimes making products redundant
- **Economic Situation:** A change in the economic situation may lead to changes in the spending patterns of the customers
- **Government and Laws:** How regulated is the industry, is there a lot of government intervention
- **Environment:** Depends on the location and whether will they hamper operations
- **Sudden Events:** Some events may lead to changes in the way the business is perceived, functions

Then we further classify into the 4 main categories:





Example: SWOT Analysis of Apple

(source: <https://www.cheshnotes.com/>)

Strengths:

- Market leader in a range of products and services
- Highly strong brand image
- Financial strength
- Innovative and highly sophisticated supply chain
- High profit margins
- Large and loyal customer base

Weaknesses:

- Products not priced competitively
- Narrow product range compared to the rivals
- Products and services incompatible with the other brands

Opportunities:

- Increasing demand for the mobile gadgets and technology
- Product diversification
- Make compatible products

Threats:

- Increased competition
- Rising costs of manufacturing
- Jobs' demise a major loss

Drawbacks of SWOT

Nothing is perfect and even SWOT has its drawbacks.

1. **Subjective:** The categorisation of a point as a strength or weakness is a subjective and debatable topic. It highly depends on what you assume to be the company's vision and long-term plan
2. **Influenced by Bias:** Based on the person's perception of the company or business, they might tend to focus on any one aspect, highlighting certain facts unnecessarily
3. **Can't Prioritise Information:** It will help you categorise the information you have but won't tell you where you should focus more
4. **Doesn't Give Direction:** Drawing on the previous point, without your priorities in order you cannot decide the aspects to focus more on which makes it hard to come up with a strategy
5. **No Alternatives Offered:** Even if you come up with a solution, you can't decide on alternatives as it is only a way to categorise data. It does not give you any other insights

TOWS Analysis

To overcome some of the drawbacks we face with SWOT, we move towards TOWS Analysis. TOWS uses the categorisation of information to draw some meaning conclusions.

You use the various categories to plan out this way:

- **Strength/Opportunity (SO):** This is where we have the greatest potential where we can use our strengths to exploit opportunities. E.g. Using great brand recognition as opportunity to launch a new product
- **Weakness/Opportunity (WO):** Taking advantage of opportunities in order to minimize weaknesses. E.g. Outsourcing jobs to increase staffing
- **Strength/Threat (ST):** Using strengths to reduce threats. Eg: Investing vast amounts of resources in an emerging (soon to be successful) market
- **Weakness/Threat (WT):** This is the most detrimental case to the organization; Here we use our planning to reduce risks and threats by minimizing weaknesses and preparing for problems beforehand. Here we mitigate any weakness to avoid potential threats. Eg: Withdrawing from a failing product from a competitive market to avoid loss.

	Strengths	Weaknesses
Opportunities	Greatest Potential, Use strength to exploit opportunities	Take advantage of opportunity to minimize weakness
Threats	Use strengths to mitigate threats	Most detrimental case, Plan beforehand to reduce threats



Example: TOWS Analysis of Apple

(source: <https://www.cheshnotes.com/>)

SO:

- Increase the focus on mobile devices, their manufacturing and marketing to profit from their increasing demand. Focus on portability of laptops; release models that provide better portability like detachables.
- Use its financial clout and the strength of brand image to diversify into new product areas and generate sales and profits. This will also help it benefit from its existing customer base and customer loyalty.
- Partner with other brands to produce compatible products and develop mutually beneficial relationships. This will help hack into other brands' customer base.

WO:

- Release a range of products priced competitively to attract middle class customers.
- Create a larger product range and enter into new product areas and serve new customer segments.

ST:

- Develop a larger range of products to grow its customer base and reduce the competitive pressure.
- Control costs of manufacturing by focusing on supplier relationships and establishing manufacturing plants in nations with lower labor costs.
- Focus on cultural change to retain the competitive advantage created by Jobs.

WT:

- Release a range of competitively priced products to attract middle class customers and reduce the pressure from competitors.
- Broaden the product range and exploit the existing supply chain capabilities to reduce manufacturing costs.

