Upper Sixth Business Vacation Work

Continuing our study of Theme 3, I would like you to look at the topic of SWOT analysis. Read through the information provided, and answer the questions in the case study at the end. These must be handed in in a hard copy, no excuses, in the first lesson back next term.

I will also be asking you to conduct a SWOT analysis of a range of business in this lesson, so please make sure you have looked over the topic relatively recently before our first lesson.

Any questions then please do let me know.

Mr Agate

Topic: SWOT Analysis
3.1 Business Objectives and Strategy

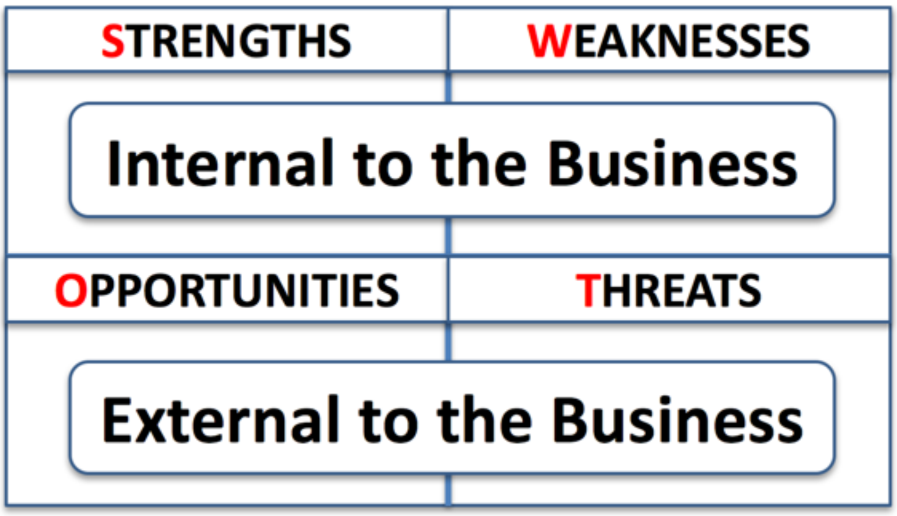
What You Need to Know
SWOT analysis - Internal considerations: strengths & weaknesses - External considerations: opportunities & threats

Introduction to SWOT Analysis
SWOT analysis is a method for **analysing a business, its resources, and its environment.**

SWOT is commonly used as part of strategic planning and looks at:
- Internal strengths
- Internal weaknesses
- Opportunities in the external environment
- Threats in the external environment

SWOT analysis can help management in a business discover:
- What the business does better than the competition
- What competitors do better than the business
- Whether the business is making the most of the opportunities available
- How a business should respond to changes in its external environment

The result of the analysis is a **matrix** of positive and negative factors for management to address:



The key point to remember about SWOT is that:

Strengths and weaknesses
- Are internal to the business – they are within the control of the business
- Relate to the present situation

Opportunities and threats
- Are external to the business
- Relate to changes in the environment which will impact the business

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Strengths
Strengths are:
- Things a business is good at
- A characteristic giving a business an important capability
- Sources of clear advantage over rivals
- Distinctive competencies and resources that will help the business achieve its objectives

Importantly, when it comes to determining strategy:
- Strengths help to build up competitive advantage and serve as a cornerstone of strategy
- Strengths should be protected and built upon

Here are some examples of possible business strengths:

Examples of Potential Business Strengths	
High market share Achieving economies of scale High quality Leadership & management skills Financial resources Research and development capabilities	Technological leadership Brand reputation Protected IP Distribution network Employee skills High productivity Flexibility of production

Weaknesses
Weaknesses are:
- A source of **competitive disadvantage**
- Things the business lacks or does poorly
- Factors that place a business at a disadvantage
- Issues that may hinder or constrain the business in achieving its objectives

Management should seek ways to reduce or eliminate weaknesses before they are exploited further by the competition. Importantly, **weakness should be seen as areas for improvement.**

Here are some examples of possible business weaknesses:

Examples of Potential Business Weaknesses	
Low market share Inefficient plant Outdated technology Poor quality Lack of innovation A weak brand name High costs	Cash flow problems Undifferentiated products Inadequate distribution Low productivity Skills shortages De-motivated staff Products at the decline stage of product life cycle

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Opportunities
An opportunity is any feature of the external environment which **creates positive potential for the business to achieve its objectives**.

Possible sources of business opportunities in most industries and markets include:

Potential Business Opportunities	
Technological innovation New demand Market growth Demographic change Social or lifestyle change Government spending programmes	Higher economic growth Trade liberalisation Diversification opportunities Deregulation of the market or other legislative change

Threats
Threats are any **external development** that may hinder or prevent the business from achieving its objectives.

Possible sources of business threats include:

Potential Business Threats	
New market entrants Change in customer tastes or needs Demographic change Consolidation among buyers New regulations	Economic downturn Rise of low cost production abroad Higher input prices New substitute products Competitive price pressure

The Value of Using SWOT analysis
There is no point producing a SWOT analysis unless it is **actioned!** SWOT analysis should be more than a list - **it is an analytical technique to support strategic decisions**

Strategy should be devised around strengths and opportunities and the key words are **match and convert**:

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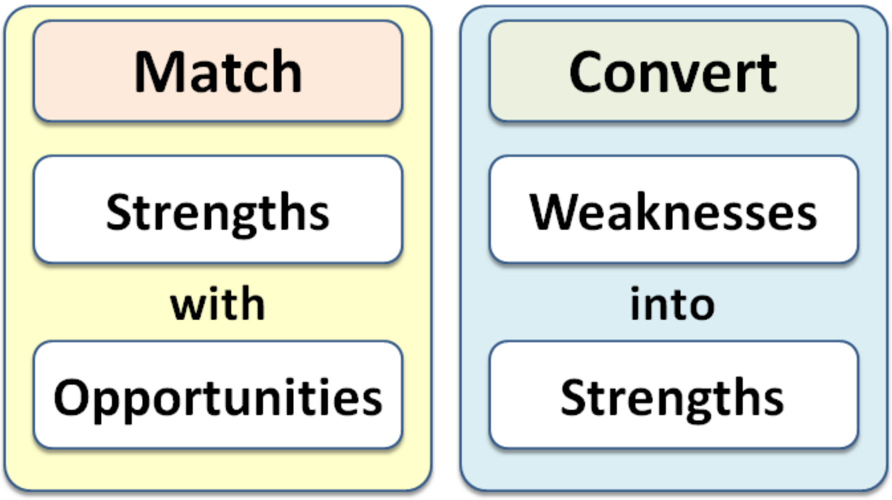

Weakness	**Possible Response**
Outdated technology	Acquire competitor with leading technology
Skills gap	Invest in training & more effective recruitment
Overdependence on a single product	Diversify the product portfolio by entering new markets
Poor quality	Invest in quality assurance
High fixed costs	Examine potential for outsourcing or offshoring

A key challenge for any business is to convert weaknesses into strengths. Don't forget also that for every perceived threat, the same change presents an opportunity for other businesses.

Evaluating SWOT Analysis
SWOT analysis is widely and effectively used in business management. The key advantages and disadvantages of using it can be summarised as follows.

Advantages of SWOT	**Disadvantages of SWOT**
Easy to understand	Too often lacks focus or contains too many elements
Logical structure	Can quickly get out of date
Focuses on strategic issues	Is it an independent assessment?
Encourages analysis of external environment	

Key Terms

Strengths	Features within the control of a business that are a source of competitive advantage
Weaknesses	Features within the control of a business that are a source of competitive disadvantage
Opportunities	Features of the external environment that create opportunities for

	a business to leverage its strengths to benefit the business
Threats	Features of the external environment that threaten the performance and position of a business if not addressed

Black Friday (SWOT)

Specification topic: SWOT

Case Study: Black Friday – a retailing dilemma!

Black Friday falls on the last Friday in November and is a growing phenomenon in the UK. Originally a US retailing sensation, it has become so popular in the UK that for some retailers, Black Friday has extended not only over the "Black Friday weekend" incorporating "Cyber Monday," but in some cases, periods before and after this. Black Friday now symbolises for many, the unofficial start of the Christmas shopping season.

The importance of Black Friday for UK retailers cannot be underestimated. Last year UK retail sales for the day amounted to £810mn, whereas this year sales increased by 36% to £1.1bn, the first time over £1 billion had been spent in one day. Amazon experienced its busiest ever day of UK sales, with 7.4 million items sold, amounting to 86 items every second. John Lewis processed 8 000 items every hour on Black Friday compared to 2 000 on a typical Friday in September. Cyber Monday takings amounted to approximately £843 mn, a 31% increase in sales on last year.

So, is Black Friday too big an opportunity to miss and if so, why have some retailers expressed reservations or opted out of the day altogether? Asda decided not to participate in 2015's Black Friday, deciding instead to offer extra deals throughout the Christmas period. Could this be due to the backlash of bad press from 2014, where the store was criticised for poor organisation and security after customers were fighting over in store purchases? John Lewis expressed concerns about the event, but felt that they had no choice but to be part of it. With their slogan "never knowingly undersold" and so many discounts offered in the market, this would prove to be a huge pricing challenge for them. Andy Graham, MD at John Lewis has requested that they carry out a SWOT analysis before deciding whether to participate in the future.

Another area for concern is profitability. How does Black Friday affect the retailer's bottom line when clearly some of the purchases made on this day would inevitably be made at a later, more profitable date? This is problematic when retailers such as John Lewis, make 50% of their profits in the three month lead up to Christmas.

The real retail winners on Black Friday will be those who continue to plan ahead with precision. Although significant, price is not the only factor that influences buyer behaviour. Stock availability, the fulfilment of orders on time and the ease of ordering in the first place affects where sales are made. With shopping patterns moving away from the bricks and mortar stores to online or click and collect purchases, customers have little patience with retailers that experience technical difficulties with websites, deliveries or returns. The reputation of a retailer can easily be damaged in a few minutes, with a bad on line experience.

Exam-style questions

1. Assess the benefits to John Lewis of conducting a SWOT analysis when deciding whether or not to participate in Black Friday (12 marks)

2. Walmart, the American retail giant which owns Asda, believes that given the success of Black Friday in 2015, it is now too big an opportunity to miss and wants Asda to decide whether to participate in this year's Black Friday and not run extra deals throughout Christmas or abstain again and continue to offer their own set of extra deals throughout the Christmas period.

Evaluate these **two** options and recommend which **one** is the most suitable (20 marks)