

VUSSC/Content/Entrepreneurship/Planning for the Business/Competition (SWOT Analysis)

5. Competition (SWOT Analysis)



Objectives

After reading this subsection, you will:

- Identify competitors in your field of business
- Analyse the business environment using the SWOT Analysis
- Analyse your business or your competitors using the SWOT Analysis

Competition

Competition may be defined as a business relation in which two or more parties compete to gain customers.

Goods and services will be bought from those who, in the view of buyers, provide 'the most for the money' and/or from those who offer greater buying convenience. Hence, competition tends to drive the entrepreneurs to find ways and means of ensuring that the customers make their goods and services their first choice.

Therefore, all business persons must consider competition when deciding to start a business regardless of the size of business. Special efforts must be made in assessing existing competition; as well as, planning to deal with competition which may come after the business has started.

As an entrepreneur, you must define competition correctly; select the appropriate competitors to analyze; plan how you will deal with new competitors and explain your competitive advantages. This information will be important when developing the competition section of your business plan.

In identifying competitors, entrepreneurs often find themselves in a difficult position. On one hand, they want to show that they are unique (even under the investors' broad definition) and list no or few competitors. However, this has a negative connotation. If no or few businesses are in a market space, it implies that there may not be a large enough customer need to support the new business' products and/or services.

After identifying your competitors, your business plan must describe them. In doing so, the plan must also objectively analyze each competitor's strengths and weaknesses and the key drivers of competitive differentiation in the marketplace.

In analysing your competitors' strengths and weaknesses you will begin to use a rather common tool used by many business persons. It is called a SWOT Analysis.

What is SWOT Analysis?

SWOT analysis is a tool for auditing a business and its environment. It is the first stage of planning and helps marketers and new entrepreneurs to focus on key issues. SWOT stands for strengths, weaknesses, opportunities, and threats.

- **S - Strengths**
- **W - Weaknesses**
- **O - Opportunities**
- **T - Threats**

Strengths and weaknesses are internal factors. Opportunities and threats are external factors. For example:

A **strength** could be:

- Specialist marketing expertise
- New, innovative products or services
- Location of business
- Any other aspect of their businesses that add value to their products or services

A **weakness** could be:

- Lack of marketing expertise
- Undifferentiated products or services (i.e. in relation to your business)
- Location of their businesses
- Poor quality goods or services
- Damaged reputations

In SWOT, opportunities and threats are external factors. For example:

An **opportunity** could be:

- A developing market such as the Internet
- Mergers, joint ventures or strategic alliances
- Moving into new market segments that offer improved profits
- A new international market
- A market vacated by an ineffective competitor

A **threat** could be:

- A new competitor in your home market
- Price wars among competitors
- A competitor has a new, innovative product or service
- Competitors have superior access to channels of distribution
- Taxation (such as VAT) is introduced on your product or service

You can apply the SWOT analysis to your business or your competitors businesses as you try to assess the position of any of these organisations.

Now try to do a SWOT on one of your competitors.

Follow these steps: My SWOT Analysis of...

Introduction | Learning Objectives | Legal requirements for your type of business | Opportunities in your environments | Competition (SWOT Analysis) | Supply and Demand | The Market | Funding for the enterprise | The Business plan | Summary

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