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**A Business Owner's Secret Weapon: Swot Analysis**

**SWOT Analysis for Small Business**

From [Darrell Zahorsky](http://sbinformation.about.com/bio/Darrell-Zahorsky-8283.htm), former About.com Guide

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The SWOT analysis is a business tool available in the tool box of any small business owner. However, running a business forces you to focus on the issues and fires burning today, not tomorrow. Learn how to apply a SWOT analysis to your business and position yourself ahead of competitors.

**What is A SWOT Analysis?**

A SWOT analysis may sound like a form of mission planning for James Bond. A SWOT simply stands for: Strengths, Weaknesses, Opportunities, and Threats. Each area forms a box on a grid and you fill in each section to help formulate a marketing strategy.

Strengths and weaknesses focuses your business to look internally at what your business can do. Many business are great at looking inward but fail to look outside their company. Threats and opportunities are external; focusing on the conditions of the real-world. This is where a SWOT analysis is helpful. It challenges you to see beyond your company walls to determine what opportunities are open for your company and how to capitalize on your strengths.

While most of your analysis will be subjective, the SWOT can provide multiple benefits to your small business. These benefits can include:

* insight into where your business can focus to grow.
* understand the industry structure by using a SWOT in your business plan.
* focus your advertising and marketing on areas that give you a competitive advantage in the marketplace.
* the foresight to see looming threats and react proactively.

To develop your own SWOT analysis, consider each section with a certain degree of realism and be specific. Avoid the standard line, "we are great at everything & have no competitors". Your customers will know you in the marketplace for certain attributes or things that make them say, "WOW". Don't forget the complaints of late shipments or customer issues. To effectively complete a SWOT for your organization, look at the following examples:

**Strengths**

Consider your strengths relative to your competitors and from your customers' perspective. For example, all your competitors may sell using the telephone, whereas you use direct face-to-face selling. Anything a customer wants that you provide and your competitor doesn't, can be a possible strength.

* business location or product exclusivity
* patents or proprietary goods
* an established distribution channel

**Weaknesses**

It is far easier writing down your corporate strengths than weaknesses. Think of objections your customers raise during the sales process. Think of your competitors' remarks. Is there any truth to what they say?

* limited human resources and staff
* high cost of production
* products or service similar to competitors'

**Opportunities**

Your small business is influenced by the external environment, such as: legal, political, technological, and cultural factors. Consider what can make your business obsolete, and what will replace it. Threats can become opportunities or vice versa.

* government regulation softening
* development of new technology
* growing trend and customer base

**Threats**

* new substitute products emerging
* price competition
* economic pressure

The SWOT analysis is a quick and simple tool to understand the overall big picture. It is the starting point of strategic planning. Once you have a SWOT complete, you may want to try more advanced analysis, such as Porter's Five Forces.

The most important take-away from this exercise is to apply this knowledge to your small business. Take all necessary actions to reduce the threats to your company and position yourself to take advantage of the opportunities.