

SWOT Analysis Activity



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IB BUSINESS MANAGEMENT – PRE-RELEASED CASE STUDY 2016: SWOT ANALYSIS

Strengths:

- Investment capabilities. During fiscal year 2015 the company generated total revenues of \$136 billion
- Well recognised brand. Todos os Mercados is the world's fourth largest public company by revenue and the largest retailer in the world.
- Innovative technologies. The company has a technologically advanced information system to support its supply chain management – real time order, inventory tracking for better decision-making and more efficient supply chain management.
- Loyalty of customers.
- Prices lower than competitors. Large volume allows the company to receive huge discounts from suppliers.
- The widest selection of products amongst retailers – a better chance of keeping customers in one place and increasing the average customer spend.

Weaknesses:

- The company tends to hire more part-time employees than they do full time.
- Hostility in some communities due to the fact that the company has put many small stores out of business.
- Reduced profit margins in order to keep prices lower than competitors. Liquidity problems from expansion.
- Some of the products sold have poor quality, which reflects on the brand in a bad way.
- Poorly prepared investment decisions. The company has already retreated from the South Korean and German markets.
- Involved in multiple law suits, including questionable business practices, unpaid wages and community activists trying block new stores opening.
- Due to its large number of employees, Todos os Mercados is an object of constant media and government attention.
- Due to the size of the company, keeping consistency in management quality and local business decisions is difficult.
- High operational costs connected with largest employment level. The company faces one of the highest staff turnover levels and needs to raise wages in order to attract new employees.

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Opportunities:

- Expanding in and focussing on previously unexploited consumer markets such as Latin America and Asia (especially India and China).
- Increasing sales of groceries and food items will encourage people to eat at home as health and wellness trends continue to develop.
- Growth in the internet, backed by technological capabilities will allow retailing to serve an even larger market.
- Depressed global economic growth, especially in Europe and China. Customers with lower incomes will demand lower prices.
- Taking advantage of efficient supply chain supported by innovative technologies that might result in further expansion and reduced costs.
- Partnerships with large companies providing various services; e.g., healthcare, insurance, travel agencies and coffee houses.
- Takeovers of smaller competitors and mergers with various retailers will strengthen market share for TS.

Threats:

- Two million employees increases exposure to rising wages and high health insurance costs.
- Increasing resistance to further expansion from local organisations and communities.
- Growing US economy can change customer motivation from one driven by low cost to one driven by quality and convenience.
- The competition. Retailers such as Costco can attract customers with a better offer and a positive company image. In Europe, the fast expansion of the German discount retailers Aldi and Lidi.
- Increasing community concern about the company's ethical position; e.g., low wages and work conditions.
- Danger of recurring recession.
- A possibility of aggressive German-style discounting of prices in American markets.
- Growing competition from internet-based retailers such as Amazon and eBay.
- Retreat from shopping in large retail stores in favour of small local markets and grocery stores.

Source: www.BusinessManagementIB.com