

SCAN

Supply Chain Analysis for Nutrition

SUPPLEMENTARY TOOL

ST-05

SWOT ANALYSIS

Background and Instructions

A Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis is a commonly used model that presents positive and negative, internal and external factors that affect supply chain actors. It enables the assessor to understand the market of the commodity in question and how current business interactions are creating supply chain barriers that limit accessibility, desirability, and quality. It also helps to understand linkages and identify the commercial, technical, and logistical triggers that can affect prices and improve the supply chain.

A SWOT analysis can be completed for each supply chain actor, or for a set of actors who are the focus of the SCAN. Comparing the SWOT of one supply chain actor to another can provide an assessment of the relative power of an actor over other participants in the supply chain.

To undertake a SWOT analysis, it is useful to consider six questions which consider the role and effect of each supply chain actor on the supply chain itself:

1. How easy is it to start a new business in this stage of the supply chain?

- » If it is easier to start a business, it means other businesses will also have an easy time to enter, creating competition (*Example of a Threat*).
- » The market could also then be divided up by more participants, which limits each of their profits (*Example of a Weakness*).
- » Laws, patents, and permits can create barriers for other participants to start a business and enter the market (*Example of a Strength*).

2. How much competition exists in this sector of the market?

- » If there are many competitors, it would be difficult for one business to negotiate a higher price since it would have to compete with the other competitors (*Example of a Weakness*).
- » If there is an oligopoly or monopoly, it is possible to limit market competition between each other (*Example of a Strength*).
- » If such an oligopoly has the ability to set market prices together, it could mean each receives the best profit margins (*Example of an Opportunity*).

3. What power do the suppliers, or businesses prior to this one in the supply chain, have to increase the cost or limit supply?

- » If there are only a few suppliers, they can decide to skip deliveries or store more goods, waiting until there is a more limited supply to drive prices up (*Example of a Strength and/or Opportunity*).
- » If the goods are highly perishable and cold chain capacity is low, suppliers need to sell quickly or the product will go to waste, thus they have limited power to demand higher prices (*Example of a Weakness*).

4. What power do the customers, or buyers after this one in the supply chain, have to negotiate costs down or increase demand for a product?

- » Similar to the previous question, there are several ways that a limited number of buyers, perishability of the goods, and other factors can limit supply or demand, affecting prices.

5. What other substitutes are there for this good or service?

- » If there is a low price elasticity for substitutes, consumers will continue to buy the good regardless of price (*Example of a Strength*).
- » If there is a high price elasticity for substitutes, consumers will readily choose another good to substitute (*Example of a Weakness*).
- » Note that consumer perception of quality can affect price elasticity, and consumer perception of quality is often tied to the actual price of a good; more expensive products are often perceived as being of higher quality and thus more desirable, even if there are readily available substitutes at a lower price.

6. What reasons and challenges are there for this business to improve nutrition, food accessibility, desirability, or quality?

- » If there are policies in place to incentivize business engagement and involvement in improving nutrition, businesses might feel more compelled to do so (*Example of an Opportunity*).

Completion of a SWOT analysis should provide answers to the following questions:

- » What are some of the logistical inefficiencies, such as food loss and waste, long supply chains, and others that increase costs?
- » What might help improve supply, grow the market, or improve market linkages?
- » What are some technical challenges, such as food safety, low yield, and limited equipment or expertise that cause supply chain constraints?
- » What are some consumer trends and behaviours?

In addition to listing the strengths, weaknesses, opportunities, and threats, it may be useful to cross-compare these to identify business strategies to address each. At the intersection of strengths and opportunities is a growth strategy; strengths and threats is a defence strategy; weaknesses and opportunities an improvement strategy; and weaknesses and threats a retreat strategy. This is depicted in Figure 1 with an example for dairy collectors and hawkers in Kenya. This figure can be used as an editable template for your own SWOT analysis.

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| | <p>STRENGTHS:</p> <ul style="list-style-type: none"> • Strong buying and selling power • Informal sector paying cash • Strong relationships across the supply chain | <p>WEAKNESSES:</p> <ul style="list-style-type: none"> • Hard to test for quality and safety • No cold chain capability • Cash-dependent sector with limited scalability |
| <p>OPPORTUNITIES:</p> <ul style="list-style-type: none"> • Can combine or pool logistics • Increase buying power by working with co-ops | <p>GROWTH STRATEGY</p> <ul style="list-style-type: none"> • Set up collection at the cooperative level • Help processors collect and aggregate milk | <p>IMPROVEMENT STRATEGY</p> <ul style="list-style-type: none"> • Work with cooperatives and processors to improve milk testing and preserve quality |
| <p>THREATS:</p> <ul style="list-style-type: none"> • Seasonality • Local collection and hawking are illegal in Kenya • Larger processors offering support for farming supplies | <p>DEFENCE STRATEGY</p> <ul style="list-style-type: none"> • High cost of cooling equipment incentivizes actors to cut corners and adulterate milk | <p>RETREAT STRATEGY</p> <ul style="list-style-type: none"> • Kenyan government increases its capacity to enforce illegal dairy hawking |

Figure 1: SWOT Analysis for Dairy Collectors and Hawkers in Kenya

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| | <p>STRENGTHS:</p> | <p>WEAKNESSES:</p> |
| <p>OPPORTUNITIES:</p> | <p>GROWTH STRATEGY</p> | <p>IMPROVEMENT STRATEGY</p> |
| <p>THREATS:</p> | <p>DEFENCE STRATEGY</p> | <p>RETREAT STRATEGY</p> |