

Appendix 2.4.2 SWOT Analysis

Using SWOT analysis to understand what is occurring within the competitive environment requires an innovator to identify the primary competitors in a market and assess each one individually. In doing so, the first step is to identify each competitor's primary objective. Then, the following factors can be considered to determine the relative power of their competitive position:¹

- **Strengths** – *Internal* attributes of the organization that are helpful in achieving the objective. Identify the company's competitive advantage and what differentiates its products/services.
- **Weaknesses** – *Internal* attributes of the organization that are harmful in achieving the objective. Consider what barriers or hurdles the company is facing.
- **Opportunities** – *External* conditions that are helpful in achieving the objective. In the medtech field, these might include intellectual property (IP) and regulatory issues, partnerships, stakeholder satisfaction, and other economic, social, and technological factors.
- **Threats** – *External* conditions that are harmful in achieving the objective. Explore the same factors listed above, in addition to the activities of the company's direct and indirect competitors.

An assessment of competitors' strengths and weaknesses helps an innovator understand the capabilities and limitations of other players in the market. Strengths represent capabilities that must be overcome (e.g., barriers to entry and/or attributes against which a company must differentiate itself). Weaknesses represent limitations that have the potential to derail a competitor's success. The innovator must be careful to avoid or mitigate the same risks within his/her own company (and may be able to exploit the weaknesses of competitors by turning them into opportunities).

Opportunities and threats can be shared by all players within a market. For example, opportunities facing established companies may have the potential to be better or more quickly addressed by a new entrant. Similarly, threats to an established competitor may translate into opportunities for an innovator. In general, SWOT analysis is easier to perform for large, established firms about which more information is publicly available. However, in some cases, it may be strategically unwise for a small, emerging company to enter into direct competition with a major, existing company (at least initially, while it is getting started). In these cases, understanding what threatens the established player can be a shrewd defensive move. Offensively, it can also help shed light on what companies may be suitable partners or acquirers.

Table 1 provides an example of SWOT analysis for Abbott Vascular. Abbott Vascular was the latest entrant into the DES market in 2008. The company offers an array of medical devices used to treat vascular conditions. It is a division of Abbott, a multinational diversified healthcare products firm with 90,000 employees and approximately \$35 billion in annual sales.²

Table 2.4.2-1 – A high level SWOT analysis for Abbott Vascular.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Extensive R&D capabilities • Strong relations with key clinicians and opinion leaders • Strong distribution channels • Deep pockets for making large investments • Extensive product portfolio of complementary products • Relations with other Abbott divisions, including pharmaceutical division with drug expertise 	<ul style="list-style-type: none"> • Most significant growth potential comes from acquisitions, not organically developed products (e.g., the company’s DES was based on platform acquired from Guidant) • Bureaucratic decision processes that slow down innovation
Opportunities	Threats
<ul style="list-style-type: none"> • Several other conditions can involve local delivery of drugs to the affected area of the human body, leveraging platform potential of DES 	<ul style="list-style-type: none"> • Adverse safety risk of DES (e.g., risk of stroke) • Pricing pressures

It is worth noting that the strengths and weaknesses presented above tend to be similar for many established medtech firms. The opportunity reflects the expectation that the model of combining drugs with localized delivery mechanisms has applications beyond those in DES, while the primary threat reflects the growing awareness that combination products of drugs and devices pose safety risks that are not common to pure device innovations. Overall, the SWOT analysis reveals that there are potential opportunities for a nimble new entrant.

¹ “Wyeth, Cordis Drop Stent Lawsuit,” HealthImaging, January 3, 2008, <http://www.healthimaging.com/topics/diagnostic-imaging/wyeth-cordis-drop-stent-lawsuit> (March 29, 2014).

² “Abbott Laboratories,” Wikipedia.org, http://en.wikipedia.org/wiki/Abbott_Laboratories (March 29, 2014).