

Four Strategy Tools Every Small Business Owner Should Know

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Porter's Five Forces, SWOT analysis, customer value propositions, and unit economics are not just for big companies. Used together, they can help entrepreneurs understand competition, sharpen positioning, and make smarter financial decisions.

Most small businesses don't fail because the owner didn't work hard enough. They often fail because the owner never had a clear strategy.

Consider a neighborhood fitness studio losing members. The owner tries discounting, extends hours, runs promotions. None of it works—because none of it addresses the real problem: a boutique studio down the street offers specialized classes, a digital platform offers convenience at half the price, and customers are quietly switching. The owner is competing blind.

That's the situation this article is designed to fix. Approximately 65 percent of new private-sector businesses do not survive beyond 10 years (U.S. Bureau of Labor Statistics, 2024). These failures are rarely due to a lack of effort. More often, they reflect a lack of strategic clarity.

The good news: you don't need a strategy team or an MBA to think strategically. Four practical tools—Porter's Five Forces, SWOT analysis, a customer value proposition, and unit economics—can materially improve how you make decisions and, ultimately, whether your business survives. None of them are complicated. All of them work.

Are You Competing Blind? Porter's Five Forces

Porter's Five Forces is a framework for understanding the competitive structure of your industry (Porter, 1979).

Developed by Michael Porter at Harvard Business School, the model helps managers understand why some industries are consistently more profitable than others and where profits are most vulnerable to competitive pressure. It asks you to examine five pressures: how much power your buyers have, how much power your suppliers have, how easy it is for new competitors to enter your market, how readily customers can switch to substitutes, and how intense the rivalry among existing competitors already is.

For a small business owner, the goal isn't to fill out a matrix. It's to ask: where is my margin most at risk? In plain English: who can force me to cut price, who can raise my costs, and how easily can customers leave me for another option? Even a quick pass through those questions can reveal whether the real threat is pricing pressure, customer churn, supplier dependence, or a substitute quietly taking demand from underneath you.

Back to the fitness studio. A Five Forces look makes the problem visible immediately: customers have many alternatives, digital fitness platforms are a growing substitute, and boutique studios can open with relatively low capital. Those insights lead to practical action: stop competing on discounts, narrow the offering around services competitors cannot easily copy, improve retention through memberships and referrals, and position the studio around specialized coaching rather than generic access.

For the fitness studio, digital platforms are not just substitutes—they also teach the owner what customers now expect: convenience, scheduling flexibility, and personalized content. That insight suggests a practical response: add app-based booking, short-form digital content, and hybrid membership options so the studio uses digital tools to reinforce its advantage rather than surrender customers to them.

SWOT Done Right: From Laundry



Lists to Real Decisions

SWOT—Strengths, Weaknesses, Opportunities, and Threats—was designed as a simple planning tool to help managers connect what is happening inside the business with what is changing outside it. Its purpose is straightforward: identify what the firm can realistically build on, where it is exposed, and where management attention should go first. It remains one of the most widely used strategic planning tools because it is simple, flexible, and easy to apply across firms of any size.

The typical output is a long list that leads nowhere. Done well, it drives decisions.

The discipline is in the linkage. A strength is only useful if it connects to an opportunity or defends against a threat. A weakness only matters if it exposes you to a specific risk. “Strong customer relationships” as a listed strength means nothing unless it translates into repeat business, referrals, or pricing power you can actually measure.

For the fitness studio owner, a focused SWOT reveals the key tension quickly: a genuine strength (a loyal community and reputation for personal attention) sits alongside a real weakness (no digital presence, limited ability to reach new members). That tension, clearly stated, points directly to a decision: double down on the community advantage rather than try to out-compete the platforms on their own terms.

Keep the list short. Three to five factors per quadrant, maximum. In practice, that means writing down only the few issues that would materially change what you do next. For the studio owner, “members know and trust our coaches” belongs on the list. “We have nice towels in the locker room” does not. The point is not to catalog everything that is true. It is to isolate what is strategically consequential.

Why Do Customers Choose You? Define Your Value Proposition

A value proposition is a single clear answer to a simple question: why does a customer choose your business instead of the alternatives? If the answer is “great service” or “we really care,” you don’t have a value proposition yet. You have a sentiment.

A useful value proposition is specific, differentiated, and

externally validated—meaning customers actually act on it, not just agree with it when surveyed. Willingness to pay is the test. If customers aren’t paying more for what you say you offer, or switching to you because of it, the proposition isn’t working.

Small businesses most often compete effectively on convenience, personalization, or trust—things that large competitors and digital platforms struggle to replicate at scale. The fitness studio’s real proposition turns out to be: personalized coaching and genuine community in a way no app can deliver. Once the owner names it clearly, it aligns everything—what to charge, how to market, what to stop doing. In practice, that means emphasizing coach continuity, creating small accountability groups, featuring member success stories in marketing, and eliminating low-value promotions that attract price shoppers but not loyal members.

Do the Numbers Work? Unit Economics and Break-Even

Strategy without numbers is aspiration. Understanding your cost structure, margins, and break-even point is what makes a strategic choice real rather than theoretical (Brealey, Myers, & Allen, 2020). Growth that doesn’t cover its costs isn’t growth—it’s a slower path to closing.

Unit economics means examining revenue and cost at the level of a single transaction or customer: What does it cost to acquire this customer, what do they spend, and what margin does that leave? This lens is particularly powerful when evaluating new offerings or expansion. It keeps you honest.

For owners unsure where to begin, start simply: divide last month’s marketing spend by the number of new customers acquired to estimate acquisition cost; compare average monthly customer spending to direct service cost to estimate contribution margin; then track retention long enough to estimate customer lifetime value. The math need not be perfect. Directionally correct is usually enough to improve decisions.

For the fitness studio, unit economics reveals something the owner didn’t know: small-group training sessions generate significantly higher margins than open-gym memberships. The decision follows directly—restructure the schedule toward premium small-group classes, reduce underutilized open hours, and price accordingly.

Putting It All Together

These four tools work best as a system, not as separate exercises. Five Forces clarifies the competitive environment. SWOT connects that environment to your specific capabilities and vulnerabilities. The value proposition defines how you compete. Unit economics confirms whether the strategy is financially sound.

Six months after applying this integrated approach, the fitness studio's membership stabilized and average revenue per customer increased. No single insight drove the outcome. What drove it was the discipline of using the tools together, consistently, rather than reacting to each problem as it arrived. Specifically, the owner stopped broad discounting, introduced hybrid memberships, shifted floor space toward premium small-group training, tightened scheduling around peak demand, and marketed the studio around outcomes and accountability rather than access alone.

These tools are also iterative. A change in pricing affects unit economics and may shift competitive positioning. A new competitor changes the Five Forces picture. Strategy isn't a one-time exercise—it's an ongoing process of asking the same core questions: What is changing in my market? How does it affect my margins? What do I do differently as a result?

For entrepreneurs testing a new venture, this system serves a different but equally important function: it validates whether the underlying business model is viable before significant resources are committed. In that context, strategy is less about optimizing an existing position and more about discovering whether a viable position exists at all.

The Bottom Line

You don't need to be a strategist to think strategically. You need a handful of honest questions, asked consistently, and the discipline to act on the answers. Porter's Five Forces, a focused SWOT, a real value proposition, and a clear-eyed look at your unit economics won't guarantee success—but they will replace guesswork with clarity. These are simply a handful of the available frameworks -- not an exhaustive list, but they offer a practical place to begin. In a competitive environment where most businesses don't survive the decade, that clarity is the edge.