

# SWOT Analysis of Service e-business Models

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## Abstract

*The e-business model that an e-business uses is the keystone for its success or failure. This stands for every business sector as well as the service sector. In order the service delivery through Internet and generally through electronic channels to be valuable and successful it must have a well-organized process control and well-described objectives. This way risk can be managed and the liability of the service providing business will be increased. When the number of users of a business is large, the business can take advantage of this and extract feedback and information of them about the model that uses. The result is the continuously improvement of this service business and the creation of innovative service products. In addition to product improvement, a better knowledge of its customers allows the business to establish a personalized relationship tailored to the needs of every single user. In this paper a SWOT analysis of a service-business model will be presented. SWOT analysis is an important tool for auditing the overall strategic position of a business and its environment. It involves sizing-up firm's internal strengths and weaknesses and external opportunities and threats. In this analysis, ways to increase the users loyalty and ways to identify the weaknesses and missed opportunities of the business will be mentioned.*

Keywords: service sector, electronic services

## Introduction

Economy can be classified into three subdivisions:

- The primary sector: It involves the education of primary resources and agricultural activities.
- The secondary sector: It involves the activities made in order to transform the primary resources into products.
- The tertiary sector: It involves services relative to government, hospitals etc.

The tertiary sector is called service sector and during the last decades has made huge steps by embodying technology. Businesses and institutions all over the world started using Internet supported transactions. This has occurred to the service sector as well and through the use of information technologies new forms of services

were created and promoted. Electronic business models were also developed to serve this new technologically advanced type of services provision.

This alteration in the way that services are provided and distributed has several positive and negative effects on many aspects of the business model and consequently the business entity itself. There is a big difference between providing a service in person and providing a service through the Internet.

A Swot analysis of the service sector will be presented in this paper. Scanning the internal and external environment is almost essential for the strategic planning process. Environmental factors internal to the sector are classified as strengths (S) or weaknesses (W), and the external to the sector are classified as opportunities (O) or threats (T). The SWOT analysis provides information that is helpful in matching the resources and capabilities to the competitive environment and it is needed for the strategy formulation and selection.

### **Service Sector**

Service can be defined as the action of doing something for someone. Contrarily to products that are tangible, service is intangible. For theories that have their roots in agriculture and manufacturing, services could only be defined as "that which is neither agriculture nor manufacturing" (Fisher, 1935; Clark, 1940). The difference between service and product is that service is the kind of product that it is consumed at the time of the purchase and you cannot take with you. It is a product that you may purchase but you may not have the right of ownership afterwards.

In most service operations, the customer is not only present but also directly participates in the service delivery process (Mersha, 1990). The customer integration grounds on simultaneous production and consumption. This is one of the major characteristics of services. However, information technologies help to remove the synchronisation of time and location between service provider and customer, (Hipp et al., 2003)

In the service sector despite the intangible nature of the product it can be measured in proportion to the service industry and sometimes the measurement comes along with the quality of the service rendered. In order the results of several service activities to be identified terms like tasks, deliverables, knowledge etc are used. Several types of public and private service organizations are the following: Banks and insurance companies, restaurants, bars, catering, hospitals, hospital activities, hotels, non-commercial organisations, activities of membership organisations, public administrations, public organisations, schools, education services, lawyers, architects, small private health services, private agencies etc. Generally services can be divided to the following categories:

- Business (including computer and professional) services
- Communication services
- Construction and engineering services
- Distribution services
- Educational services
- Environmental services
- Financial (insurance and banking) services
- Health services

- Tourism and travel-related services
- Recreational, cultural and sporting services
- Transport services
- Other services not included elsewhere

A very important issue of the e-service sector is the regulatory issue. The keystone of many e-service organizations is the legal regulation. This involves several quality aspects of the service that is provided, the consumers' protection from handicraft and other personal services. In other service subsectors involves international competition and the ensurance of society wide provision of the service (telecommunication, television etc).

The service sector is considered to have two major problems. These are low productivity and low capital intensity (Faiz Gallouj ,2002. It appears to have low capital intensity due to the fact that in order to produce a "service product" you do not have to possess production lines, factories etc. This may lead to low productivity and low productivity growth (Clark, 1940; Fourastié, 1949; Baumol et al., 1989) and this to a "cost-disease" (Baumol et al., 1989).

One other drawback that characterises the service sector is its supposed inability to produce innovations. This is caused from the intangibility of the "service product" and its non-codified form. The theory that all innovations are deriving from manufacturing industry and services are only adopting is false. Innovation in services does exist. According to Barras' reverse cycle model the dynamic of innovation in services follows a life cycle (the reverse of the traditional industrial cycle) in which the introduction of technical systems is followed by sequential phases of incremental process innovations, radial process innovations and "product" innovations (Barras, 1990). For example an innovation of services in the financial service sector is clearly obvious to the banks. In banks the cycle began with computerization of several tasks, it continued with ATMs and it will finally lead to home banking.

## SWOT ANALYSIS

E-services hold almost two-thirds of the world's economic activity and trade in services is continuously growing due to internationalization of domestic services, developments in ICTs and transmission technologies and the opening up and regulatory reforms of state monopolies in transport and communications. By promoting trade in services, countries are given the opportunity to diversify trade and therefore create new jobs and promote development. ICTs help to the promotion of trade in services through technical programmes. Table 1 shows the level of information technology in some service sectors.

**Table 1: Information technology in service sectors( Brigitte Preissl)**

Information technology in service sectors		
Category 1	Services with low IT affinity	Hairdressers, piano or dancing teachers etc
Category 2	Services using IT for peripheral functions	Restaurants, retail trade, repair services etc
Category 3	Services using IT in core functions	Corporate consultancy, financial services, business services etc
Category 4	Services based on IT	IT consultancy, multimedia

		services, communications services
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AT the SWOT analysis we can see some of the major strengths, weaknesses, threats and opportunities of the e-service sector.

	<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<b>INTERNAL</b>	<ul style="list-style-type: none"> <li>▪ Higher benefit to the customers.</li> <li>▪ Flexible customization</li> <li>▪ Availability of services regardless time</li> <li>▪ Geographic availability of services</li> <li>▪ Speed of service production</li> <li>▪ Speed of service delivery</li> <li>▪ Good in-house training programmes for many "types" of knowledge.</li> <li>▪ Low capital intensity.</li> <li>▪ In knowledge-intensive services highly qualified and highly specialised staff is needed but recruiting them involves heavy search costs; these costs can be reduced by using electronic databases.</li> <li>▪</li> </ul>	<ul style="list-style-type: none"> <li>▪ Data privacy protection</li> <li>▪ Lack of well-defined regulatory framework for educational service export.</li> <li>▪ Inadequate international marketing programmes for the promotion of e-services.</li> <li>▪ High costs of ICT end user service connectivity in many countries.</li> <li>▪ The understanding of the electronic service demands a tight management of the company's electronic service routines.</li> <li>▪ Unfriendly interface that has as a result the misjudgement of the service provision.</li> </ul>
	<b>OPPORTUNITIES</b>	<b>THREATS</b>
<b>EXTERNAL</b>	<ul style="list-style-type: none"> <li>▪ Appearance of new partners/alliances via new type of service provision.</li> <li>▪ New customer segments.</li> <li>▪ Chances to meet ecological, medical and ergonomic requirements.</li> <li>▪ Collaboration and communication opportunities between departments of large institutions with many branches.</li> <li>▪ Potential for improved effectiveness and efficiency through transformations (e.g. commercialization and cost recovery programmes.)</li> <li>▪ Development of codified data processing electronic services (e.g. home banking).</li> <li>▪ Decrease direct procurement costs through e-procurement.</li> <li>▪ Service development.</li> </ul> <p>For services with a high information input the Internet offers a growing range of new possibilities to increase efficiency.</p>	<ul style="list-style-type: none"> <li>▪ Inadequate budgets decline in real terms (inflation).</li> <li>▪ Unstable macroeconomic and political environment.</li> <li>▪ Retrenchments most of the times begin from the bottom with the community service providers.</li> <li>▪ Low internet connectivity in many countries.</li> <li>▪ Low investment in ICT infrastructure</li> <li>▪ Legislative differences.</li> <li>▪ Environmental effects.</li> </ul>

From the strengths we can see the advantages of the sector, what does the service sector do well and what do other people see as its strengths. From the weaknesses we can see what could be improved, what does the sector do badly, what do other people see as its weaknesses, what should be avoided and if there are other similar e-services that are doing better. From the opportunities cell we can see the good opportunities and interesting trends. Lastly, from the threats cell we can see the obstacles for improving performance/delivery etc, if the required specifications for the e-service provision are changing, if the service sector is under pressure as a result of changes in circumstances, demand/expectations and if technology changes are threatening your position.

## Conclusions

Despite their "invisibility" services are the keystone in facilitating all aspects of economic activity in a country. Its type of service provision is vital for another sector. For example, infrastructure services (transportation, communications, financial services) provide the support necessary for any type of business, educational, health, and recreational services influence the quality of labour available to firms and professional services provide specialized expertise to increase firms' competitiveness particularly for export-oriented units. The gains of the transition from services provision to e-services provision were many but the threats and weaknesses continue to exist. As we saw above e-services are higher in the knowledge-intensive services (here business services) and technology-intensive (information and communications services) than in the more personal services.

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