

Chapter 23

PLC and SWOT Reengineered: Strategy Development Tools for Service Industries in Global Competition

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ABSTRACT

Recently the businesses of some leading successful service industry companies have suffered greatly to the point of threatening their very survival, while other companies succeeded to protect and even strengthen their businesses by reinventing or “recycling” their services/products in response to the changes in their industries.

Two widely used such strategic tools are the SWOT and PLC analysis and the SRCL (Service Re-Cycle for Life). This chapter offers revitalized tools aimed at finding ways to better manage and leverage changes to the benefit of services industry businesses

INTRODUCTION

In the currently prevailing global business environment the products of service industries are subject to the hypercompetitive pressures and battles for survival that in the past were identified mostly with high tech products. The lengths of the life cycles of specific service offerings often

have been shortened even when the corporations creating and marketing them do survive.

This chapter develops concepts for the alignment of two established strategic management tools, Product Life Cycle (PLC) and SWOT analyses, with the demands of a global, internet speed business environment.

Because changes in global business activities are frequent, profound and accelerating, the

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established strategic planning tools, Product Life Cycle analysis and SWOT analysis, needed to be reengineered in order for them to continue to be effective tools for achieving sustainable competitive advantage.

The global strategy planning models proposed here restore the effectiveness of SWOT analysis by adding a new dimension, “Change”: Internal Change (Ch_i) and External Change (Ch_e) which identify and quantify the impacts of potentially major developments and form the bases for designing innovative strategies. In addition, the paper proposes a method for performing the new SWOTCh_{i/e} analysis in a global business setting.

The chapter also models the impacts of globalization on the PLC stages for a global business. It then proposes the addition of a new life stage: “Recycle for Life,” which when grafted onto the original PLC model, turns it into an effective strategic tool for maintaining sustainable growth by incorporating “Change” into the framework and turning a vicious cycle with a finite end into a virtuous cycle that is regenerative.

TRADITIONAL PLC AND SWOT

The PLC concept is based on the assumption that the “life” of a product, whether physical or service based is finite, that is, there is a beginning and an end. Furthermore, this finite life span can be divided into four stages.

- **Introductory stage:** when the new product or service is first “introduced” into the market place until sales gain momentum and sales volumes become “meaningful.”
- **Growth stage:** strong growth until the time sales growth slows down significantly and starts to plateau.
- **Mature stage:** relatively steady sales until they start on a path of continuous decline and diminish until the product or service is discontinued.

It should be noted that only the start and the end of the PLC stages are clearly defined. The rest of the starting and ending points are “judgmental” and management defined (Golder & Tellis, 2004).

These points nevertheless are significant, because they involve important strategic changes which impact on resource utilization and business performance. They determine the way the business is managed. During *Introduction* the product or service is in an investment mode and the focus is on maximizing sales potential. The *Growth* stage is usually characterized by growing profitability while still looking to maintain strong growth. During *Maturity* the focus is on further improving profitability without negatively impacting sales. Finally, during the *Decline*, the focus is on maximizing the profit margin, while accepting that absolute sales and profits will be decreasing.

It should also be noted that the PLC concept is as relevant to service based industries as it is to those based on physical products. Accordingly, it would have been just as appropriate to rename PLC as SLC (Service Life Cycle) but it was considered unnecessary because the final output of a service based business is generally referred to as its “product.”

Figure 2 visualizes the profitability pattern of a product/service associated with the corresponding PLC sales by stage (Figure 1).

Understanding the strategic implications associated with the “traditional/classical” PLC model is important, because the revisions recommended to this model later in the paper will require significant strategic changes.

It is also important to note that the actual shapes of the PLC Sales and Profit curves are genericized and in practice vary greatly by industry, by product/service, by company and by environmental factors. The variations can be in the length of the PLC stages and the growth/decline trends.

SWOT analysis (strengths, weaknesses, opportunities, threats) is an extensively used strategic planning tool. On the one hand, it undertakes to identify and describe the internal strengths and

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