

# **The role of the service industry in the modern economy**

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# Structure

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- The reasons of the tertiary sector of economy development.
- The nature of service. Services and goods
- The classifications of needs.

# What does SERVICE mean in English? (Longman Oxford Dictionary)

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- **the official system for providing something, especially something that everyone in a country needs to have, or the official organization that provides it:**
  - *the health service*
  - *the postal service*
  - *the police service*
- **a particular type of help or work that is provided by a business to customers, but not one that involves producing goods:**
  - *A wide range of financial services are available*
- **The help that people who work in a shop, restaurant, bar give you:**
  - *The service was terrible and so was the food.*
  - *Customer service*

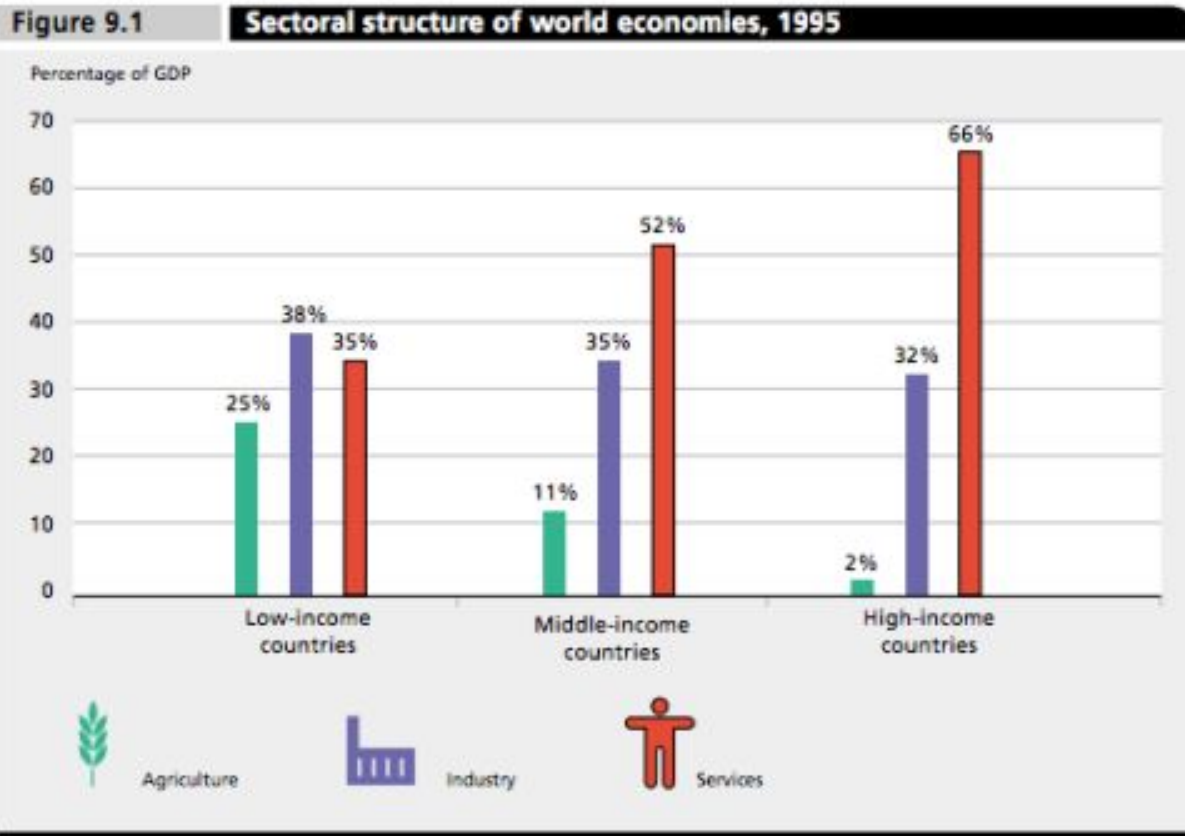


# Sectors in economy

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- The primary sector: farming, forestry and fishing.
- The secondary sector: gas, mining and manufacturing, electricity, water, construction.
- The tertiary sector: service sector

# Increasing role of service






# What does the service industry include?

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- ☐ Entertainment
- ☐ Hospitality Industry
- ☐ Mass Media
- ☐ Health Care
- ☐ Waste disposal
- ☐ Financial services
- ☐ Consulting
- ☐ Retail sales
- ☐ Education



# Economy today: service economy

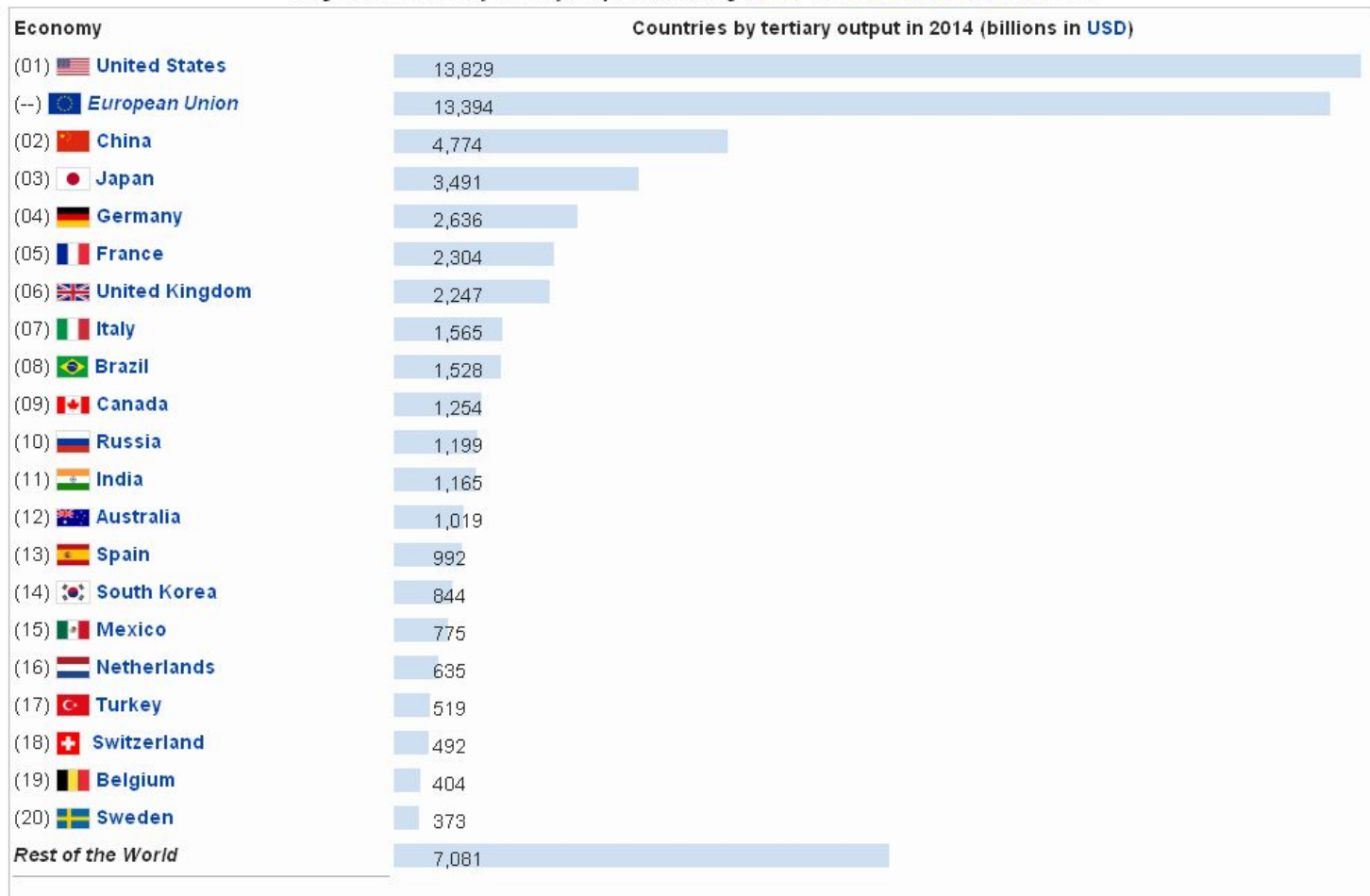
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- The increased importance of service sector in industrialized economies;
- Servitization of products: products today have a higher service component than in previous decades;

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- For the last 100 years, there has been a substantial shift from the primary and secondary sectors to the tertiary sector in industrialised countries.
  - The economy today is called **postindustrial economy**. That means that the economy depends less on the industry.



# The place of service industry in the economy



# What is the nature of service?

John Lewis was feeling hungry after a long day's work. He particularly wanted to have a pizza. He was already picking up his phone to order one and have it delivered to his home, when he realized that he had other options which could satisfy his pizza needs.

1. He could go to the supermarket and buy the necessary ingredients such as flour, mushrooms, pepperoni, etc., to make the pizza himself. This would be the cheapest alternative for him, costing roughly £2.
2. Rather than buying the ingredients he could buy a frozen pizza in the same supermarket for £3.
3. He could indeed order the pizza and have it delivered to his home. However, the price tag attached to this alternative jumped to £4.
4. He could go and eat the same pizza in the restaurant operated by the same company that was delivering the pizza at home. The price would be about £4.25.
5. The option of going to the restaurant made him also consider going to Luigi's restaurant, a new Italian restaurant where customers are seated and served at the table, where tables are covered with tablecloths and Italian music is played by a live band. However, this option was pretty expensive. He imagined that he would easily pay £15 for the pizza and a glass of wine.



# What is service?

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- “Most authorities consider the services sector to include all economic activities whose output is not a physical product or construction, is generally consumed at the time it’s produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser”.


James Brian Jordan

# What is service?

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- Tangible – intangible
- The period between the demand by a customer and the supply is very short, sometimes immediate/ the period between the demand by a customer and the supply can take many months

Service: Cooked and served meal in a restaurant	Good: Toothpasta

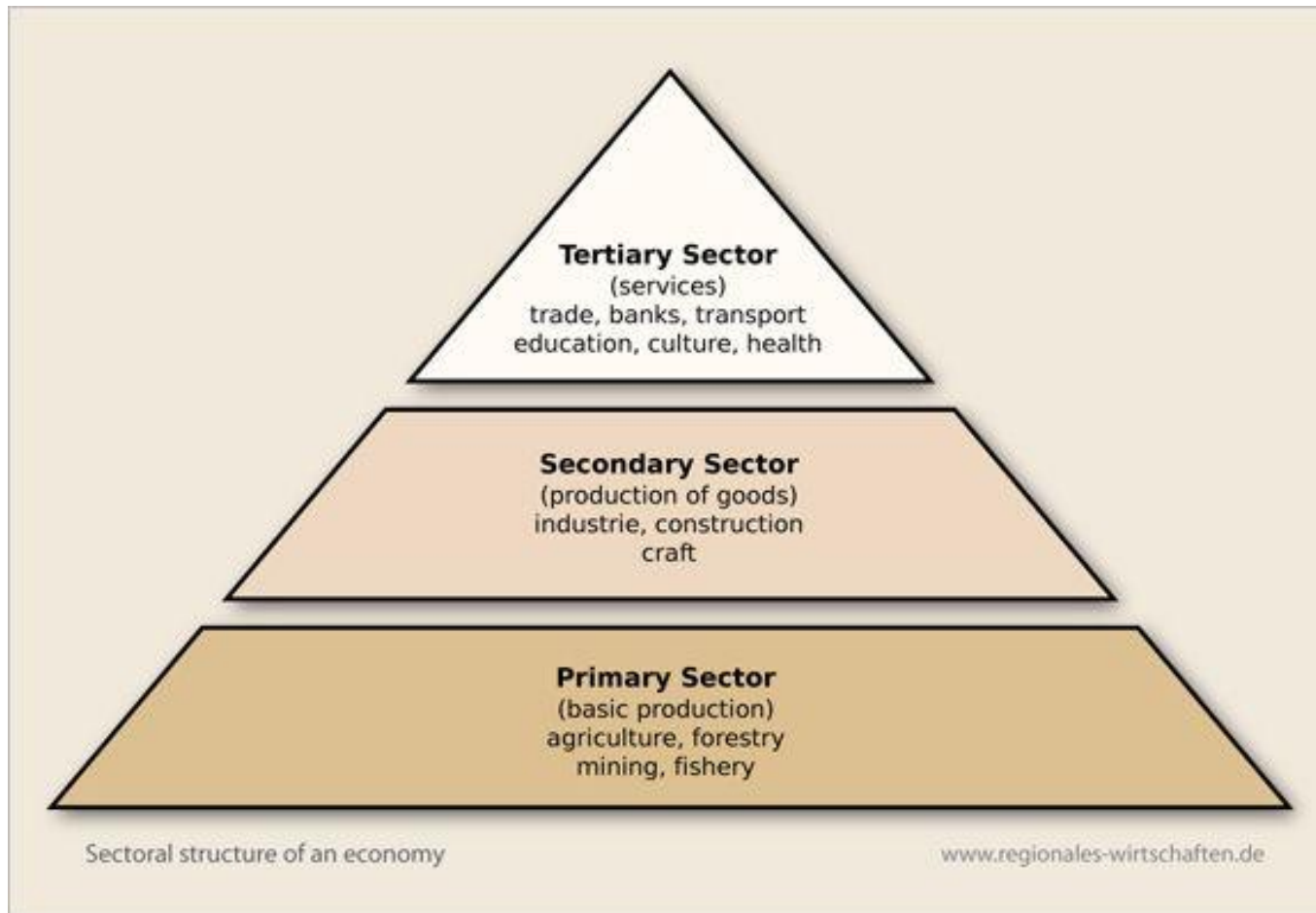
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- ❑ Can/ cannot be touched, handled, smelled, tasted;
  - ❑ Standardized and prepared not for individual demand/ Meets need of customer after face-to-face conversation
  - ❑ Can be stored for further consumption/ can't be stored;
  - ❑ Unique/ not unique
  - ❑ Rely on very subjective experience.
  - ❑ Possible to standardize/ difficult to standardize

**Table 1.4 Differences between services and goods**

<i>Services</i>	<i>Goods</i>
■ An activity or process	■ A physical object
■ Intangible	■ Tangible
■ Simultaneous production and consumption: customers participate in production	■ Separation of production and consumption
■ Heterogeneous	■ Homogeneous
■ Perishable: cannot be kept in stock	■ Can be kept in stock

# Maslow's theory

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# Restaurant

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- ❑ Physiological needs: drinks and food
- ❑ Security need: guests want to be sure that the property they are visiting is physically safe from anything that can endanger their body
- ❑ Belonging: in a pub or café people met other people and learn about the news
- ❑ Self-Actualization: some restaurants permit guests to choose their raw materials and the way of cooking