

UNIT 1 MANUFACTURING AND SERVICE SECTORS

❖ SERVICE SECTOR

➤ INTRODUCTION TO SERVICE SECTOR

The **Service Sector**, also called tertiary sector, is the third of the three traditional economic sectors. The other two are the primary sector, which covers areas such as farming, mining and fishing; and the secondary sector which covers manufacturing and making things. The service sector provides services, rather than producing material commodities. Activities in the service sector include retail, banks, hotels, real estate, education, health, social work, computer services, recreation, media, communications, electricity, gas and water supply.

➤ MEANING OF SERVICE

A type of economic activity that is intangible is not stored and does not result in ownership. A service is consumed at the point of sale. Services are one of the two key components of economics, the other being goods. Examples of services include the transfer of goods, such as the postal service delivering mail, and the use of expertise or experience, such as a person visiting a doctor.

➤ NATURE OF SERVICES

The definition of service is “any intangible product, which is essentially a transaction and is transferred from the buyer to the seller in exchange for some consideration (or no consideration). Let us take a look at some of the characteristics of a service.

- 1) **Intangibility:** A service is not a physical product that you can touch or see. A service can be experienced by the buyer or the receiver. Also, you can not judge the quality of the service before consumption.
- 2) **Inconsistency:** There can be no perfect standardization of services. Even if the service provider remains the same, the quality of the service may differ from time to time
- 3) **Inseparability:** One unique characteristic of services is that the service and the service provider cannot be separated. Unlike with goods/products the manufacturing and the consumption of services cannot be separated by storage.

- 4) Storage: The production and consumption of services are not inseparable because storage of services is not possible. Being an intangible transaction there can never be an inventory of services.

❖ CLASSIFICATION / TYPES OF SERVICES

1) **Business Services**

The first type of service is business services. The most basic definition would be services that support the daily functioning and activity of any business but is not a commodity. Take for example IT services. In this day and age, every business will require technological setup. The people who provide IT support to a business are providing a service in exchange for consideration. There are other similar services that any business enterprise may require for the smooth functioning and management of its activities. Some such services are Banking, warehousing, insurance, communication, transport etc.

2) **Personal Services**

Personal services are commercial activities that are provided to individuals according to their individualistic needs. The service here is extremely personalised to the customer. So there can be no uniformity in the services. The service provider will alter his service according to the personal needs of each customer.

Some examples of personal services are catering, hotel and accommodation, medicine, any kind of artistic endeavor (like painting, sculpting etc). As you will notice all these services fulfil personal needs of the customers.

3) **Social Services**

And when talking about types of services, we come to social services. These are essential public services. They are provided by the government or other such non-profit organizations. These services aim to achieve social equality in the society by providing the backward sections with the help they need. The service is not provided for a profit motive but as a social cause. Social services include services in the sector of education, sanitation, medical facilities, housing etc.