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# SERVICE SECTOR: CHALLENGES & OPPORTUNITIES

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## INTRODUCTION

### Service sector in India

Indian Economy is in a great transition. It was an agrarian economy then it moved over to rely on manufacturing strength & now it has been the turn of the services sector to dominate its contribution to the GDP. Service industry is an industry that part of the economy which creates services rather than tangible objects. Economist divided all economic activity into two broad categories goods & services. Goods providing industries are agriculture, Mining, Manufacturing and construction each of them creates same kind of tangible object. Service industries include everything else banking, communications wholesale & retail trade. All professional services such as engineering and medicine, non- profit economic activity all consumer services such as all government services including defense & administration of justices.

Services industry or sector involves distribution, transport and sale of goods from producer to consumer. The service sector also includes the supply of a service like entertainment and other services. Principal characteristic of a service industry is people to people interaction. Goods, however, may also be transformed when providing a service. For example, a restaurant cooks the food before serving it to customers.

Country economies tend to progress from agriculture to industry to services. The service industry is seen to be more opaque to international competition compared to manufacturing. Nations which undergo faster economic development have greater labor costs than those countries lagging behind in the economic development road. This resultant shrinking of manufacturing in more developed economies forces those nations to adopt services as a leading employment source.

### Types of Industry

Service industry or service sector includes portions of a country's economy like tourism, banking, social service sector & education. Persons working in the service sector collaborate to do work effectively. Knowledge is utilized to increase workplace performance and also for corporate sustenance. End product of service industry is advice (consultancy services), experiences (movies), attention (hospitality industry like hotels and restaurants), and discussion (interactive TV or radio programs). Examples of service sector are:

- News media

- Business services
- Consulting
- Health care like hospitals
- Real estate valuation
- Personal services
- Franchising services
- Legal practice like lawyers
- Disposal of waste

## Service Sector in India

Basic materials producers such as steel makers, paper companies, food producers, energy suppliers, and telecommunications providers are increasingly thinking about building brands. What they lack, however, are the distinct product benefit required to build brand equity. Many, that is to say, have only a name, and are searching for a brand. But there are a number of encouraging success stories.

The major challenge for commodity companies is to decide in what way they will be distinctive and how they can bring that about. Many companies believe that bundling services to provide one-stop shopping (by offering energy and cable television services together, for example) is the way. Research suggests, however, that bundling works only if companies add genuinely new benefits beyond an integrated bill and a small bundled-price discount.

Instead of thinking what disparate offerings they can put together, companies should work with customers to understand where opportunities exist to create real value. They must also build marketing skills they currently lack so as to communicate with customers about precisely how they are distinctive - often in the face of new, aggressive, and sophisticated competitors with comprehensive marketing abilities.

Many commodity producers assume they need to construct a personality for their products and services in order to build a brand. They are wrong. Instead, they need to build a basic brand by aligning what they say with what they can do today. If a company thinks the formula for success is to offer reliable energy coupled with innovative services, for instance, and it can offer only reliability today, then that is where it must start: talking about reliability and delivering reliability. Subsequently, as it builds innovative services and confirms that they are working as it intended and as the customer wants, it can begin to talk about those too.

## Helping Service sector to Perform Better

Many independent businesses, especially service providers such as physicians, used-car dealers, real-estate agents, retailers, and video stores, have interested and loyal customers, yet they possess no real brand. They have built personal relationships with their customers without the aid of a brand. However, this landscape is changing as company's spot real opportunities to create brands - sometimes for the first time - and, therefore, opportunities to form new types of relationship. Do they want power brands? For the present, though, companies in this position are satisfied to have a strong brand where none existed before.

The challenge for such companies is to provide a more standardized in-store experience to create true consistency across locations and purchase or service occasions. Once this is in place, the companies must then build a platform to support advertising that attracts and retains customers. AutoNation and CarMax in automobiles, The Home Depot in hardware, Loewen Croup in funeral homes, FETsMART in pet supplies, Barnes & Noble and Borders in books, and Century 21 in real estate are all recent examples of this strategy at work. Make no mistake, the effect on purchasing patterns can be huge.

1. The service sector now accounts for more than half of India's GDP: 51.16 per cent in 1998-99. This sector has gained at the expense of both the agricultural and industrial sectors through the 1990s. The rise in the service sector's share in GDP marks a structural shift in the Indian economy and takes it closer to the fundamentals of a developed economy (in the developed economies, the industrial and service sectors contribute a major share in GDP while agriculture accounts for a relatively lower share).
2. The service sector's share has grown from 43.69 per cent in 1990-91 to 51.16 per cent in 1998-99. In contrast, the industrial sector's share in GDP has declined from 25.38 per cent to 22.01 per cent in 1990-91 and 1998-99 respectively. The agricultural sector's share has fallen from 30.93 per cent to 26.83 per cent in the respective years.
3. Some economists caution that if the service sector bypasses the industrial sector, economic growth can be reduced. They say that service sector growth must be supported by proportionate growth of the industrial sector, otherwise the service sector grown will not be sustainable. It is true that, in India, the service sector's contribution in GDP has sharply risen and that of industry has fallen (as shown above). But, it is equally true that the industrial sector too has grown, and grown quite impressively through the 1990s (except in 1998-99). Three times between 1993-94 and 1998-99, industry surpassed the growth rate of GDP. Thus, the service sector has grown at a higher rate than industry which too has grown more or less in tandem. The rise of the service sector therefore does not distort the economy. Within the services sector, the share of trade, hotels and restaurants increased from 12.52 per cent in 1990-91 to 15.68 per cent in 1998-99. The share of transport, storage and communications has grown from 5.26 per cent to 7.61 per cent in the years under reference. The share of construction has remained nearly the same during the period while that of financing, insurance, real estate and business services has risen from 10.22 per cent to 11.44 per cent.
4. The fact that the service sector now accounts for more than half the GDP probably marks a watershed in the evolution of the Indian economy.

## CONCLUSION

The simplest explaination for the growth of service industrices is that grods product has become increasingly menachalized . Becose machine allow a smallor work force to produce more tangible goods the service functions of distribution, Management finance & sate becomes relatively more important. Growth in the service sector also results from a large increase in government employment..

There is a tendency to treat service sector growth to be as good as growth in the commodity producting sectors. Same even priveldge servies sector grouth interpret it as the sign of new dynamism. These are a number of arguments adduced to support the view the inpct of services on the pace & nature of ecomomic growth mainfest a new dynamisn. The first of that the specialication that result from the outsoureing of services has resulted in for greater value addition to manufactured goods through the encorporation of a range of intengibilites provided by intellectual capited such as design features & technical inputs that euhance product quality. The second has been accompanied by technological changes specially those resulting from the role of information & communication technologies in the service sector that have substantillay encluded labour producetivity have substantialy enhanded labour providetuvuty in the service sector. Third same services activity specially research & development activities that are outsourced. Finally there is argument that specialication in to servies gunerates new products, the demand for which results in an induced demand for manufacturors.

Businesses who act as service providers encounter problems unique to the service sector. Services are intangible and cannot be judged by potential customers before the contract is completed. For example, efficiency of a mutual fund may only be judged after considerable investment of money and time. No guarantees are given for a specific outcome. Branded firms charge more for the same service.

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