

Services



Services: Terms

- ❖ According to your book "A service is any activity that fulfills a human want or need and returns money to those who provide it."
- ❖ This is a definition it's fairly easy to poke holes in – charitable services don't charge, so are they still services?
- ❖ The dictionary has a better definition:
 - **service** \ 'sər-vəs \ *n.* [ME, fr. OF, fr. L. *servitium* condition of a slave, body of slaves, fr. *servus* slave] 4b. **useful labor that does not produce a tangible commodity.**
- ❖ Traditionally, economists have divided economic activities into three categories:
 - **PRIMARY** – those economic activities that harvest or extract directly from the natural environment (agriculture, forestry, fishing, mining).
 - **SECONDARY** – those economic activities that involve manufacturing, construction, or adding value to the products of the primary industries.
 - **TERTIARY** – the service sector.
- ❖ Most people in the developed world work in the service sector of the economy – **in the US, about 80% of all jobs are in the service sector.**
- ❖ We can break the service sector down further into three categories:
 - **CONSUMER** – services provided mostly to individual consumers.
 - **BUSINESS** – services provided mostly to facilitate other businesses.
 - **PUBLIC** – services provided for all citizens and businesses.
- ❖ Although your book acts at times as if these were neat water-tight compartments, they aren't – as your book notes in a thundering understatement when it admits that "the distinction among services is not absolute."

Consumer Services

- ❖ Consumer services are provided to individuals.
- ❖ About **45%** of all US jobs today are in consumer services.
- ❖ There are two main categories of consumer services:
 - **RETAIL** – essentially, sales [about 25% of all US jobs]
 - **Please note:** Your book, in a bizarre fit of insanity, has categorized wholesaling as a form of retail service. This is so weird it almost defies comment.
 - **PERSONAL** – services for well-being and personal improvement, including health care and education [about 20% of all US jobs].

Business Services

- ❖ Business services are provided to other businesses.
- ❖ About **20%** of all US jobs today are in business services.
- ❖ There are two main categories of business services:
 - **PRODUCER** – services provided to assist other businesses, including banks, insurance companies, law real estate, etc.
 - **Please note:** This again is bizarre. Don't individuals need insurance, financial services, legal help? Are all insurance, banking and other companies neatly divided between their business and their consumer halves? As noted above – don't necessarily take your book's categorizations as being particularly apt – although the overall percentages are probably reasonable.
 - ❖ **TRANSPORTATION** – including transportation, utilities, and communications.
 - **Please note:** Bizarreness yet again! Individuals drive, use power, need communications, too!

Public Services

- ❖ Public services are provided to everyone – individuals and businesses.
- ❖ They include **security** and **protective** services (and administrative services, too).
- ❖ About **15%** of all US jobs today are in the public sector (mostly at the State and local levels).

So – Add It Up!

- ❖ Consumer: 45%
 - ❖ Business: 20%
 - ❖ Public: 15%
- 80% of all US jobs are in the service sector.**

Origins of Services

- ❖ Obviously, people have always provided other people with services.
- ❖ However, from a very early period, services have tended to cluster in communities.
- ❖ Early services:
 - Burial and religion.
 - Housing.
 - Food storage.
 - Cottage industry.
 - Education and entertainment
 - Trade.
 - Defense.

Rural Settlements Today

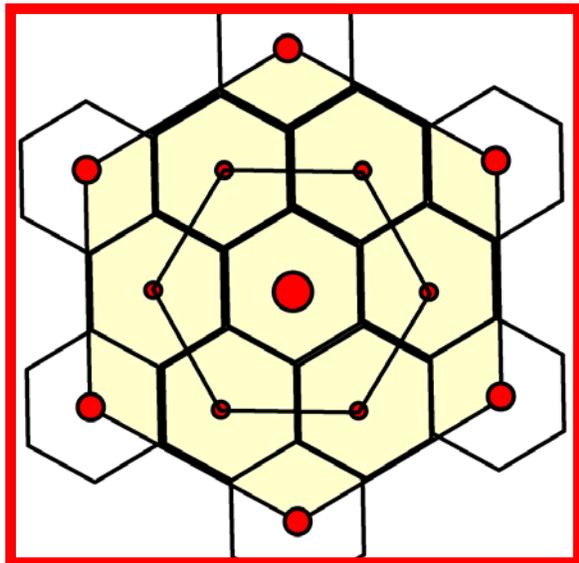
- ❖ Most people in the world today – especially in Asia, as well as parts of Africa, South America, and even Europe and the US – still live in rural settlements (although a majority – more than half – of the world’s population will live in cities very soon!)
- ❖ There are two basic types of rural settlement:
 - **CLUSTERED** (also known as a village or hamlet)
 - In clustered settlements everyone lives in a relatively small area.
 - Farmland is usually located within about two hour's journey from the village.
 - Farmland may be individually or collectively owned.
 - Clustered rural settlements may be **circular** or **linear**, depending on local culture and conditions.
 - **DISPERSED**
 - The dispersed pattern of settlement is uncommon except in the US, Canada, Australia, the UK, and other developed countries.
 - This pattern is only possible where there is little reason to fear attack or isolation.
 - Enhanced efficiency – living on the farm means no travel time, greater farm size, easier use and affordability of machinery.
 - In some countries (the US, Australia) this pattern was strongly encouraged by various laws (for example, the US Homestead Act of 1862).

Distribution of Services

- ❖ At least in developed countries, consumer services and business services do not have the same distributions.
- ❖ Business services tend to concentrate very heavily in major cities (as we will discuss, below).
- ❖ Consumer services tend to show a pattern based on the size of settlements.

Central Place Theory

- ❖ In the 1930s the German geographer Walter Christaller devised a way of describing how towns of different sizes were arranged – and how the services they supply is also arranged. This is called **central place theory**.
- ❖ A **central place** is a market center.
- ❖ Central places (ideally) should be located centrally – to maximize accessibility from the surrounding region.
- ❖ Central places compete against each other to market goods and services.
- ❖ Surrounding every central place is a **market area** (or **hinterland**) – the area from which customers come to the central place.
- ❖ Most people want to get their services from the nearest possible location – so most customers travel the minimum possible distance. Ideally, we could use circles to show these relationships, but since you can't cover a plane with circles evenly (there would be gaps and overlaps), we use a hierarchy of interconnected **hexagons**.



Assumptions of Central Place Theory

- ❖ We assume we are dealing with a flat, featureless plain – no mountains, rivers, deserts, etc.
- ❖ Labor is assumed to be available in all locations, and the population is evenly spread across the landscape.
- ❖ Transportation is possible in all directions – there are no major rivers or roads to distort the pattern.
- ❖ People will always travel the minimum distance necessary to get the goods and services they want.
- ❖ The size of the market area is determined by two factors: the **range** and the **threshold** for each service offered in the central place.

Range and Threshold

- ❖ The **range** is the maximum **distance** people are willing to travel.
- ❖ The range varies with the kind of good or service:
 - Everyday goods and services (groceries, dry cleaning, etc.) have short ranges – people are not usually willing to travel very far for them.
 - Special goods and services (sporting events, concerts, etc.) have long ranges – people are willing to travel long distances for them.
- ❖ The **threshold** is the **minimum number** of people (customers) needed to support a good or service.
- ❖ Threshold also varies with the kind of good or service:
 - Businesses selling common, inexpensive items (groceries, fast food, etc.) need large numbers of customers who spend relatively small amounts of money.
 - Businesses selling expensive, uncommon items (antiques, etc.) need small numbers of customers who spend large amounts of money.
- ❖ Businesses spend a great deal of time and money engaged in **market area analysis** (discussed in your book) when they select the best location for a business.

Hierarchy of Settlements

- ❖ Central places are market areas.
- ❖ Central places compete against each other.
- ❖ Small settlements offer a small number **and** a small variety of services.
- ❖ Large settlements offer a large number **and** a large variety of services.
- ❖ According to central place theory, settlements will arrange themselves in a **nested hierarchy** – small market areas within larger market areas, within still larger market areas.
- ❖ Obviously, the real world is more complicated than central place theory – but central place theory does give us some insights into the ways that services and settlements tend to be arranged.

Rank-Size vs. Primate Cities

- ❖ Rank-Size Rule
 - In some countries we can see a regular pattern of settlement size.
 - In these countries (including the US), the second largest city is about $\frac{1}{2}$ the size of the largest, the fourth largest city is about $\frac{1}{4}$ the size of the largest, the tenth largest is about $\frac{1}{10}$ the largest, etc.
- ❖ Primate City Rule
 - In some countries we see that one city is dominant in terms of population, economics, politics and culture.
 - A **primate city** is defined as a settlement with **more than twice** as many people as the next largest city in the country.
 - Primate cities are often found in less developed countries (for example, Lagos in Nigeria, or Buenos Aires in Argentina) but are also found in some developed countries (for example Paris or London).
- ❖ Countries that follow the rank-size rule tend to be less centralized, and have goods and services more widely distributed than those that follow the primate city rule.

Distribution of Business Services

- ❖ Business services tend to cluster in a relatively small number of cities.
- ❖ Today, we can distinguish among the world's cities on the basis of the kinds and number of business services which are available:
 - **WORLD CITIES**
 - World cities are outstanding centers for business services.
 - The major stock exchanges, gold markets, and the headquarters of many of the world's largest corporations are located here.
 - The most important world cities: **New York, London and Tokyo.**
 - **COMMAND AND CONTROL CENTERS**
 - Outside the world cities are regional centers, which are also major financial and business centers.
 - **SPECIALIZED PRODUCER-SERVICE CENTERS**
 - At the third level of the hierarchy are cities that provide a narrower range of services, specializing in activities such as research and development, government or education.
 - **DEPENDENT CENTERS**
 - At the lowest level of our hierarchy are cities which are essentially dependent for their economic health on the decisions that are made by those above them in the hierarchy.
 - Dependent centers provide less skilled jobs, and specialize in certain areas, including:

- Resort, retirement and residential centers
 - Manufacturing centers
 - Industrial and military centers
 - Mining and industrial centers
- ❖ Note that the Globalization and World Cities (GaWC) Study Group has a slightly different interpretation of “world cities”; it has four “alpha world cities”: London, New York, Tokyo and Paris (see <http://www.lboro.ac.uk/gawc/citymap.html>)

Base and Non-Base

- ❖ There are two categories of economic activity we can use to understand how settlements function: the **basic** and the **non-basic industries**.
- ❖ The difference? Think in terms of **survival**.
 - *Question*: What are the things you need to survive?
 - *Answer*: Air, food, water, shelter.
 - These are things you can't provide for yourself.
 - They are **basic** to your survival and **they come from outside**.
- ❖ Basic industries
 - Basic industries supplies goods and services to people from **outside** the settlement – they "export" and **bring in money from outside**.
 - Basic industries are **essential** to a settlement's survival.
- ❖ Non-basic industries
 - Think in terms of **quality of life**.
 - *Question*: What are the things you need to have a decent life?
 - *Answer*: Friends, family, entertainment, culture.
 - These are things you and your friends and family can provide for yourselves – locally – you don't have to get them from outside.
 - Non-basic industries provide goods and services to people who already live in the settlement.
 - Non-basic industries are essential to a settlement's well-being (but not for it's survival).
- ❖ Cities can be classified based on the percentage of people who work in the basic and non-basic industries.
- ❖ Cities of similar sizes tend to have similar ratios of basic and non-basic workers – but **the larger the city, the larger the percentage of non-basic**.

The Central Business District

- ❖ The central business district (**CBD** or “**downtown**”) is the usually the best known and most distinctive area of a city.
- ❖ Historically, **services tend to cluster in the CBD.**
- ❖ Characteristics of the CBD:
 - Compact area.
 - High land costs.
 - Intensive land use.
- ❖ Services in the CBD:
 - Consumer services:
 - High threshold services (people have to travel a relatively long distance).
 - High range services (expensive or unusual services).
 - Downtown worker services.
 - Business services:
 - Producer services (financial, legal, and other services cluster in the CBD for greater efficiency).
 - Public services (government, charitable)

Activities Excluded from the CBD

- ❖ Manufacturing.
 - Though important at one time, land costs and improved transportation have meant that manufacturing – except in certain cases – has moved out of the CBD to outlying (suburban and even rural) areas.
- ❖ Residential.
 - High land costs mean that few people actually can afford to live in the CBD. Rents are simply unaffordable for most.

Suburbanization of Businesses

- ❖ Many businesses have moved out of the CBD into the suburbs.
- ❖ Reasons for moving to peripheral locations include land costs and accessibility.
- ❖ Types of businesses that have moved to the suburbs:
 - Manufacturing (industrial parks, factories requiring large amounts of land).
 - Producer services (in locations with easy access).
 - **Retailing** – think **malls!**
The Mall of America: <http://www.mallofamerica.com/>
The West Edmonton Mall: <http://www.westedmall.com/>
The largest mall in the world (when it's finished) will probably be the Mall of Arabia in Dubai:
<http://realestate.theemiratesnetwork.com/developments/dubai/dubailand.php>