

# Service industries are important in building economic growth

[Economics](#)



**ASSIGN  
BUSTER**

## Service Industries are Important in Building Economic Growth Table of Contents

Executive summary	iii
1. 0 Introduction	1
1. 1 Overview of the task	1
1. 2 Report purpose and structure	1
2. 0 Reasons to build a services economy	2
2. 1 To increase the economic growth	2
2. 2 To have better living standards	2
2. 3 To decrease the unemployment rate in the economy	2
3. 0 Sectors impacted by market forces	3
3. 1 Distribution services	3
3. 2 Financial services	3
3. 3 Professional business services	3
4. 0 Future challenges to the services economy	4
4. 1 Increase in demand	4
4. 2 cost pressures and management processing.	4
4. 3 Managers need to improve in their skills.	4
5. 0 Recommendation	5
5. 1 Justification of recommendation	5
6. 0 References	6

ii ii Executive Summary The purpose of this report is to analyse and make appropriate decisions considering the information about the services economy in this report. This report can be assisted by senior managers to get an idea about how service industry is working at the moment. The finding of this report has focused on various areas of the service economy and how they affect consumer behaviour and people's living standards and also the economic growth. This report has explored the point of building a service economy, market forces and how service economy is affected by it, challenges for the future. It is recommended that the main reason to build a service economy is to build up the economic growth in an economy and also to improve the performance of the living standards of the consumers and to decrease the unemployment rate in an economy.

iii iii 1. 0 Introduction 1. 1 Overview of the task The task is to research about how the services work in an economy and how important they are when building economic growth. After finding the relevant information it has asked to make

a report of the finding so it is clear and easier to analyse. 1. 2 Report purpose and structure This report can be used be assisted by senior managers when making decisions. The report structure is divided into very simple forms of topics rather than one whole topic with lots of information, so it can be analysed easily by professionals or managers without any hassle

1 1 2. 0 Reasons to build a service economy Service economy is a big part of prospered economies, " service productivity is increasingly the focus of attention". (Gr nroos and Ojasalo 2004; Rayport and Jaworski 2005, p. 1). Reasons to build a service economy are listed below. 2. 1 To increase the economic growth According to Nissan, Galindo and Mendez (2011), it is important to include service sector in an economy. By measuring the services activity, the economic growth could be analysed, because when service providers provide service to the consumers such as (e. g. educational service, repair and maintenance, building services, goods transport) profit can be made and even when dealing with the services that we provide to overseas consumers and companies. This activity leads to an increase in economic growth. 2. 2 To have better living standards " Survey finds that despite the increased use of new technologies intended to improve customer service", (Rust and Huang 2012) this illustrates that providing and introducing such new services to the economy can improve consumer's everyday life style and make it simple. 2. 3 To decreases the unemployment rate in the economy When new services are built, more jobs can be made and this will increase the employment in an economy and more people will be working and earning income. This could be another reason to build the services in an economy. 2 2 3. 0 Sectors impacted by market forces Market

forces can be defined as the forces that decide the price changes in a trading system or in an economy which are not influenced by the government. The three sectors impacted by markets forces are public, private and social sector.

3. 1 Distribution services A distribution services facilitate goods from producers to consumers and it is very important for an economy. A whole new range of regulations such as limits on large stores, opening hours and zoning have slowed the structural change in this sector. These restrictions have limited the services provided to the consumers and slowed the structural change. McManus (2009)

3. 2 Financial Services Regulatory reform in financial services has increased the productivity levels and has cause to lower the prices. It has also helped to increase improvements in the quality of services and flexibility. The allocation of resources has been successful in the economy which means that the services are provided where consumers need it the most. McManus (2009)

3. 3 Professional business services 3 3 This sector has been affected by market forces through commercial aspects which have caused prices to be lower and new services are appeared due to the consumer demand. It also maintains quality, performances and consumer protection through licensing and other controls. McManus (2009)

4. 0 Future challenges to the services economy

4. 1 Increase in demand Increase in demand for the well-educated and trained service personnel is a future challenge to the economy. When new services are introduced and built they have to be operated by employees who are qualified to provide certain services so the departments need to train staff in order for them to be qualified. McManus (2009)

4. 2 cost pressures and management processing. This is related to the financial sector is services. A certain cost is

involved to provide a service to the economy and to also manage that service so there is a future benefit to the society; this is another challenge for the future of the service because if it's not managed accordingly maybe then the service won't be efficient to the economy. Nisan et al. (2011) 4. 3 Managers need to improve in their skills. 4 4 The future of services depends on how the managers manage the services in the present in an economy. If the managers have poor skills in controlling and managing, this will lead to decreasing in demand for the service in the long run and this might affect consumers negatively in their living standards. Nisan et al. (2011) 5. 0

Recommendation 5. 1 After considering the research provided in this report, it is recommended that the main reason to build a service economy should be because services increase the living standards of people and it also develops the economy especially financially which helps to increase economic growth in the long run and short term. Majority of people in a country also work in service businesses and they span all the industry sectors providing consumers a higher share of services in a whole economy. Building and introducing services also helps to develop the country and to make consumers' lives better off with their everyday life style by creating more job opportunities, new technology and etc. 5 5 6. 0 References

GrÃ¶nroos and Ojasalo 2004; Rayport and Jaworski 2005, p. 1 [http://tutor2u.net/business/gcse/external\\_environment\\_economic\\_sectors. htm](http://tutor2u.net/business/gcse/external_environment_economic_sectors.htm) [http://www.wisegeek.com/what-is-regulatory-reform. htm](http://www.wisegeek.com/what-is-regulatory-reform.htm) McManus, J 2009, ' The service economy', Management Services, vol. 53, no. 2, pp. 16-20. Nissan E, Galindo M. and Me´ndez. M, " The future of services in a globalized economy" The Service Industries Journal, Vol. 31, No. 1, January 2011, 59—

<https://assignbuster.com/service-industries-are-important-in-tbuilding-economic-growth/>

78 Rust R. and Huang M; " Optimizing Service Productivity", Journal of Marketing; Mar2012, Vol. 76 Issue 2, p47-66. 6 6