

- The **service sector** is the third of the three economic sectors of the three-sector theory. The others are the secondary sector (approximately the same as manufacturing), and the primary sector (raw materials).
- The service sector consists of the production of services instead of end products. Services (also known as "intangible goods") include attention, advice, access, experience, and affective labor. The production of information has long been regarded as a service, but some economists now attribute it to a fourth sector, the quaternary sector.
- The tertiary sector of industry involves the provision of services to other businesses as well as final consumers. Services may involve the transport, distribution and sale of goods from producer to a consumer, as may happen in wholesaling and retailing, pest control or entertainment. The goods may be transformed in the process of providing the service, as happens in the restaurant industry. However, the focus is on people interacting with people and serving the customer rather than transforming physical goods

- It is sometimes hard to define whether a given company is part and parcel of the secondary or tertiary sector. And it is not only companies that have been classified as part of that sector in some schemes; government and its services such as police or military, and non-profit organizations such as charities or research associations can also be seen as part of that sector.[1]
- In order to classify a business as a service, one can use classification systems such as the United Nations' International Standard Industrial Classification standard, the United States' Standard Industrial Classification (SIC) code system and its new replacement, the North American Industrial Classification System (NAICS), the Statistical Classification of Economic Activities in the European Community (NACE) in the EU and similar systems elsewhere. These governmental classification systems have a first-level hierarchy that reflects whether the economic goods are tangible or intangible.
- For purposes of finance and market research, market-based classification systems such as the Global Industry Classification Standard and the Industry Classification Benchmark are used to classify businesses that participate in the service sector. Unlike governmental classification systems, the first level of market-based classification systems divides the economy into functionally related markets or industries. The second or third level of these hierarchies then reflects whether goods or services are produced.

- For the last 100 years, there has been a substantial shift from the primary and secondary sectors to the tertiary sector in industrialized countries. This shift is called **tertiarisation**.
- Economies tend to follow a developmental progression that takes them from a heavy reliance on agriculture and mining, toward the development of manufacturing (e.g. automobiles, textiles, shipbuilding, steel) and finally toward a more service-based structure. The first economy to follow this path in the modern world was the United Kingdom. The speed at which other economies have made the transition to service-based (or "post-industrial") economies has increased over time.
- Historically, manufacturing tended to be more open to international trade and competition than services. However, with dramatic cost reduction and speed and reliability improvements in the transportation of people and the communication of information, the service sector now includes some of the most intensive international competition, despite residual protectionism.

- Issues for the service providers
- Service providers face obstacles selling services that goods-sellers rarely face. Services are intangible, making it difficult for potential customers to understand what they will receive and what value it will hold for them. Indeed, some, such as consultants and providers of investment services, offer no guarantees of the value for price paid.
- Since the quality of most services depends largely on the quality of the individuals providing the services, "people costs" are usually a high fraction of service costs. Whereas a manufacturer may use technology, simplification, and other techniques to lower the cost of goods sold, the service provider often faces an unrelenting pattern of increasing costs.
- Product differentiation is often difficult. For example, how does one choose one investment adviser over another, since they are often seen to provide identical services? Charging a premium for services is usually an option only for the most established firms, who charge extra based upon brand recognition

- Examples of tertiary sector economies:
- Examples of tertiary industries may include:

- Telecommunication
- Hospitality industry/tourism
- Mass media
- Healthcare/hospitals
- Public health
- Pharmacy
- Information technology
- Waste disposal
- Consulting
- Gambling
- Retail sales
 - Fast-moving consumer goods (FMCG)
- Franchising
- Real estate
- Education
- Financial services
 - Banking
 - Insurance
 - Investment management
- Professional services
 - Accounting
 - Legal services
 - Management consulting
- Transportation

All types of services are **special skills** provided in **exchange of payments**. Health, education, law, governance and recreation etc. require professional skills. These **services require other theoretical knowledge and practical training**. **Tertiary activities are related to service sector**. Most of the tertiary activities are performed by

- **Skilled labour,**
- **Professionally trained experts and consultants.**

Tertiary activities involve **commercial output of services rather than the production tangible goods**. The **main difference between the secondary and tertiary activities is that the expertise provided by service relies more heavily on specialised skills, experience and knowledge of the workers rather than on the production techniques, machinery and factory processes**.

TYPES OF TERTIARY ACTIVITIES

By now you know that you purchase your books, stationery from traders shop, travel by bus or rail, send letters, talk on telephone and obtain services of teachers for studies and doctors at the time of illness. Thus, **trade, transport, communication and services are some of the tertiary activities** discussed in this section.

Trade and commerce

Trade is essentially buying and selling of items produced elsewhere. All the services in retail and wholesale trading or commerce are specifically intended for profit. The towns and cities where all these works take place are known as **Trading Centres**. The rise of trading from barter at the local level to money-exchange of international scale has produced many centres and institutions such as Trading Centres or collection and distribution points. **Trading centres may be divided in to**

- **Rural marketing centres**

Rural marketing centres cater to nearby settlement. These are semi urban centres. Here personal and professional services are not well developed. Most of these have Mandis (wholesales markets) and also retailing centres.

Periodic markets in rural areas are found where there are no regular markets and **local periodic markets are organised at different temporal intervals. These may be weekly, bi- weekly markets from where people from the surrounding areas meet their temporally accumulated demand.** These markets are held on specified dates and move from one place to another. The shopkeepers thus, remain busy on all the days while a large area is served by them.

- **Urban**

Urban marketing centres have more **widely specialised urban services.** They provide ordinary goods and services required by people. They provide manufactured goods as well as many specialised goods and service of professionals such as teachers, **lawyers, consultants, doctors etc.**

Retail Trading

This is the business activity concerned with the sale of goods directly to the consumers. Most of the retail trading takes place in fixed establishments or stores solely devoted to selling. Street peddling, handcarts, trucks, door-to-

door, mail-order, telephone, automatic vending machines and internet are examples of non-store retail trading.

Wholesale trading

Wholesale trading constitutes bulk business through numerous intermediary merchants and supply houses and not through retail stores. Some large stores including chain stores are able to buy directly from manufacturers. Wholesalers often extend credit to retailers and they mostly run on wholesale capital.