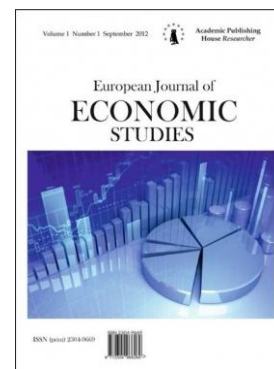


Copyright © 2014 by Academic Publishing House *Researcher*



Published in the Russian Federation
European Journal of Economic Studies
Has been issued since 2012.
ISSN: 2304-9669
E-ISSN: 2305-6282
Vol. 10, No. 4, pp. 247-251, 2014

DOI: 10.13187/es.2014.4.247
www.ejournal2.com



Revisiting the Specific Characteristics of Services

¹ Irina Yu. Potashova

² Larisa V. Charhifalakjan

¹ Sochi State University, Russian Federation
354000, Krasnodar region, Sovetskaya Str., 26 a
PhD (Economic), Assistant Professor
E-mail: potashova@mail.ru

² State Engineering University of Armenia (Polytechnic), Armenia
0009, Republic of Armenia, Yerevan, Teryan Str., 105
E-mail: info@seua.am

Abstract

This article examines existing approaches to construing the essence of services and defining them and addresses the specifics in understanding the character of services. The authors conduct an analysis of the major characteristics of services covered in relevant literature, which leads them to conclude that the majority of researchers point up as the major property of services the process character of their provision.

Based on their analysis, the authors fine-tune the essence and major characteristics of services, based on which they put forth a process definition of services.

Keywords: service; service activity; goods; process; properties of services.

Introduction

In recent years, Russia has witnessed the heady development of the sphere of services, and, as a result, there has arisen a need for conceptualizing and fine-tuning particular economic categories and terms – namely, the term “service”.

However, scholars are yet to arrive at a commonly accepted definition of services, which, primarily, is due to the fact that they have been taking different approaches to viewing the origins and essence of the above concept. Consequently, in the Russian and foreign literature there are now a considerable number of various definitions and interpretations of the concept and nature of “services”.

In large part, this is due to the fact that services are among the oldest types of activity. They originated back in the ancient world, in the timespan from 3000-4000 B.C. to the 5th century A.D. Ancient cultures had many preconditions that determined the emergence of activity related to various kinds of services. It is within that period that the major types of services were formed and put into practice in various areas of life. These services are still provided in our day:

- in the area of economic relations (trade, monetary circulation, etc.);
- in the area of state/legal relations (e.g., Hammurabi’s Code of Laws was an attempt to regulate the work of particular specialists whose activity we associate today with the sphere of services – construction, healthcare, etc.);
- in the area of meeting spiritual and artistic/esthetic needs;
- in everyday life and in meeting personal needs [5].

Materials and methods

Historical practice in the period from ancient times to the 19th century attests that the analysis of services began with the identification of their social and economic nature. This process had developed most vibrantly in the 18th-19th centuries as part of the ideas of the English school of political economics. Adam Smith and like-minded thinkers introduced the notion of public goods, utility, the principles of rational analysis and common sense, and an understanding of people's common interests. English political economics viewed services as a component part of economic relations; that said, scholars considered services as non-material goods. That is, it is already back then that they had been laying down a contraposition between immaterial services and specific commodities, which were material goods.

The other specific in understanding the character of services in the above period – productive labor, associated with the creation of machinery and fast-moving consumer goods – was viewed as the more important compared with unproductive labor in the service sphere [10].

The intangible, immaterial result of labor in rendering many types of services became a defining attribute allowing one to consider service activity as unproductive labor compared with productive labor in material production [5].

This stance was typical not only of 18th-19th century economists but also existed later on, as it continued to find its proponents throughout the 20th century, which led many economists to insufficient analysis of services as an economic category. In particular, such concepts were widely common in Soviet political economics, which had inherited the Marxist methodology of analysis. It is K. Marx's notions of the shift from capitalist methods of economic management to socialist that had been laid down in the Soviet economy. In that case, satisfying needs was placed in subjected dependence on the effect of general economic laws and on the development of material production. The Soviet leadership and those in charge of production operations aimed efforts at nurturing socialist economic practice, which was taking on serious differences from the practice of capitalist society [7].

Analysis of the evolution of services helps formulate a scientific understanding of service activity typical of the present-day world. Service activity is the activity of people who engage in specific interactions on realizing social, group, and individual services. One party in these interactions, which has multiple needs, is keen on receiving certain goods, while the other party, which renders specific services, provides them with the opportunity to possess such goods [1].

Thus, starting in the 1950s-1960s, services, or service, are becoming the subject of close attention among the majority of foreign analysts. By today, there have formed several universally recognized schools concerned with the study of service activity, the most prominent of which are the North American, French, and Scandinavian schools. Experts at these schools have, above all, worked out several leading concepts of services, for which there are conceptual models, described below. These concepts include "4 NOs", SERVUCTION, the functional/instrumental model by Grönroos, "7 P", "3 M", TAERR, SERVQUAL, and some others, which will be examined below.

As has been noted above, scholars have not yet arrived at a universally accepted definition of services, which, above all, is due to the fact that they have been taking different approaches to viewing the concept. It has been construed as a type of activity, or as a result of an activity, or an activity itself, i.e. a process of servicing. Consequently, in the Russian and foreign literature there are now a considerable number of various definitions and interpretations of the term "service". Let us take a look at the most common of them.

K. Marx construed services as "... nothing but a term for the particular use-value which the labor provides, like any other commodity; it is, however, a specific term for the particular use-value of labor in so far as it does not render service in the form of a thing, but in the form of an activity... materialized in the qualities of a person and the conditions of production". Marx identifies two types of services: "Services... embodied in commodities; others, on the contrary, leave no tangible result existing apart from the persons themselves who perform them; in other words, their result is not a vendible commodity" [7].

In analyzing the content of services as interpreted by K. Marx, we could note that he differentiates between the result of material production, i.e. a commodity, and that of non-material production, i.e. a service, and points out that providing services is an activity (the "process of labor") which, on the one hand, directly depends on the consumer and, on the other, on the conditions of production and those who perform them.

An interesting definition has been given by R. Maleri, who views “services” as intangible assets produced for sale. In our view, this definition complements the one proposed by K. Marx. Here, non-material assets (or intangible values) are values that are not physical, material objects but that can be appraised in terms of cost or money.

Of late, we have seen quite a wide use of the definition of services set forth by T.P. Hill, who views a service “as a change in the condition of a person, or of a good belonging to some economic unit, which is brought about as the result of the activity of some other economic unit, with the prior agreement of the former person or economic unit” [6]. In our view, this definition allows us to view services as a cyclical process – or rather a specific result of this process or of an economically useful activity, to be exact – which manifests in the interaction between the producer of the service and its consumer either in the form of a good or, immediately, the form of an activity.

In a similar way – as the result of an activity – services are viewed by Russian economist V.V. Prishchepenko. In his view, “a service is the result of an activity, interaction..., but is not an activity itself. An activity is providing services, servicing, self-servicing” [8].

In analyzing V.V. Prishchepenko’s definition of services, we could note that a service is one of the properties, one of the aspects, one of the component characteristics of an object or a subject, which manifests in the process of interacting with other objects and/or subjects. The author further notes that there is no “pure” service, meaning the nominality of such of its qualities as immaterialness. A service is embodied in a particular commodity, is one of its properties, and is acquired in the process of servicing or self-servicing. In essence, any commodity is a service in a packing box used to resolve a particular issue.

In the view of P. Kotler, “services are any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product” [4].

The consumer does not need the object or the subject as the carrier of a service and does not need the product and, much less, the commodity. The consumer is interested in the process of satisfying their needs – some sort of a good, i.e. a service. The producer, in turn, needs to have its own needs satisfied – a service that would benefit it in a profit or image-making sense, based on which we can draw a conclusion about the relativeness of the term “producer”. Thus, we can conclude that from F. Kotler’s viewpoint services are a process of the interaction and the outcome of the interaction, normally, between interested parties, with both parties being the source and consumer of services and each – of its own service.

Russian scholar and practitioner T.N. Araslanov believes that the above definitions do not allow us to identify the specific characteristics of the term “service” as an economic category; he, however, like the prior authors, views a service as a process of activity. Thus, he construes a service as “a relation of public labor in the form of its non-commodity exchange and as a socially beneficial process of labor activity by natural or juridical persons” [2].

Thus, we can say that, methodologically speaking, it is incorrect to equate the terms “service” and “commodity” – due to the fact that services emerge in the process of activity, i.e. are usually based on direct, immediate contact between producers and consumers resulting in services being isolated from material goods, the realization of which is normally associated with mediation and storage potential.

From the standpoint of our understanding of the essence of services, of the greatest interest is the definition of services proposed by C. Grönroos: “A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider” [3]. This process is aimed at resolving the problems of the buyer of a service. In our view, this definition logically complements all of the above concepts of services and quite accurately describes a service as a process and its features distinct from those of a commodity.

In this regard, we can point up a number of characteristics inherent in services. The works of most authors concerned with the study and analysis of the service sphere have featured four distinctive features of services: intangibility, inseparability, variability, and perishability.

Talking of the specific features of services, scholars most often view them as an act or a process, immaterial, impossible to store and see their quality as more variable compared with a material commodity. Another common consideration is that services are produced and consumed

simultaneously. For instance, the properties of services are described in this way in the book “Standardization and Certification in the Sphere of Services: A Study Guide” [9]:

- services are a combination of the process of providing a service and consuming the result of a service;
- depending on the object and the result, services are divided into material and non-material;
- in many cases, an individual entrepreneur or a small enterprise acts as the subject (the performer of a service);
- in many cases, the consumer (a person) is the object of service provision and (or) immediately participates in the process of rendering a service;
- the provision and consumption of a service can be simultaneous;
- as a rule, a service has an individual character of provision and consumption;
- in the sphere of services, there is a high share of manual labor, whose quality depends on personnel’s skill level;
- the performer of a service is, normally, not the owner of the result of a service;
- services are local, cannot be transported, can have a regional character;
- services can be perishable.

In our view, this list is not flawless and is far from being exhaustive, yet it does a good job demonstrating the need for reservations in describing the features of a service. Note that in this case the description of some features is accompanied with remarks like “normally”, “in many cases”, “may be”, etc.

Thus, in analyzing the above definitions and features of services, we can point up that most authors have used a common approach which lies in that by its essence a service is a combination of the process of providing a service and consuming the result of a service, which possesses specific features distinct from those of a commodity.

We should keep in mind that today there are several universally recognized theoretical models for services (hereinafter “service models”), developed by such prominent scholars as L. Berry, A. Parasuraman, J. Rathmell, P. Eglie, E. Langeard, V. Zeithaml, M. Bitner, F. Kotler, E. Gummesson, and C. Grönroos. These models were put together thanks to an efficient search for what is common to various classes of services. As a rule, scholars tend to converge in the opinion that certain classes of services have the same properties that set them apart from commodities. Virtually all existing theoretical models for services are predicated on the supposition that a service is a process, for the production and consumption of services occur simultaneously.

Thus, summarizing the above material, we can draw some conclusions. Currently, specialists in the area of defining services and their properties lack unity, and there are several reasons behind that.

One of the major reasons is that acts we can call services are multiple and diverse, just like objects these acts are aimed at.

The next reason is that researchers involved in the study of services are dealing with a pliant object whose boundaries vary depending on the wishes of the supplier and/or the consumer of a service. A material commodity can quite easily turn into a service. One and the same object that involves a set of physical items and a number of actions by the service performer’s service personnel can be viewed by the consumer both as a material commodity and a service.

The third reason is that rendering a service also requires the presence of both one rendering it and one it is rendered to, i.e. a seller and a consumer of a service. Personnel effecting this contact with the client is a part of the commodity being sold.

The major difference between the provision of services and the consumption of industrial goods is that services are produced and consumed simultaneously, whereas the production and consumption of material products are divided in time and space. A defective product can be returned but an unpleasant aftertaste from poor service never can. Defective items cost firms money but not as much as a client who refuses to buy this product or returns it as defective.

However, the above reasons even more strongly bring to light the uniqueness of services and point to a fact with which all of the above authors we have examined agree – that any firm, any person, regardless of the form of ownership or type of activity is always involved in the process of producing and consuming services, i.e. is engaged in servicing, both intra-firm and in interaction with participants in the external environment.

Conclusion

Thus, based on the above definitions and characteristics of services, we can conclude that by its essence a service is a cyclical process – or rather a specific result of this process or of an economically useful activity, to be exact – which manifests in the interaction between the producer of the service and its consumer either in the form of a good or, immediately, the form of an activity.

Based on the above, we deem it possible to give the following process definition of a service – a cyclical integrated process of production and consumption of non-material economic goods on a single spatial/temporal continuum.

References:

1. Avanesova, G.A. (2007). *Service Activity: Historical and Present-day Practice, Entrepreneurship, and Management: A Study Guide for College Students* (p. 20). Moscow, Russia: Aspekt Press.
2. Araslanov, T.N. (2004). Services Marketing: Fine-Tuning Particular Concepts from the Economic Standpoint. *Marketing v Rossii i za Rubezhom*, 2(40). P. 106.
3. Grönroos, C. (1998). Marketing Services: The Case of a Missing Product. *Journal of Business and Industrial Marketing*, 13(4/5). P. 322-338.
4. Kotler, P. (2007). *Marketing Management: A Crash Course*. Saint Petersburg, Russia: Piter. P. 291.
5. Loyberg, M.Ya. (2003). *A History of Economics*. Moscow, Russia: Infra-M. P. 128.
6. Markova, V. D. (2002). *Services Marketing*. Moscow, Russia: Finansy i Statistika. P. 8.
7. Marx, K., Engels, F. (1962). *Collected Works* Moscow. Russia: Gosudarstvennoye Izdatel'stvo Politicheskoy Literatury. 2nd ed., Vol. 26, Pt. 1, pp. 299-300.
8. Prishchepenko, V.V. (2001). Semantics, Definitions, and Correlation of the Terms “Product”, “Good”, and “Service”. *Marketing v Rossii i za Rubezhom*, 2(22), 12.
9. Rakov, A.V., Korolkova, V.I., Vorobyeva, G.N., Koroleva, I.Ya., Nemolyayeva, M.E. (2002). *Standardization and Certification in the Sphere of Services: A Study Guide* (p. 208). Moscow, Russia: MiK.
10. Fedtsov, V.G., Fedtsov, V.V. (2005). *Entrepreneurship: The Sphere of Service: A Study Guide for Colleges* (2nd ed., p. 210). Moscow: Dashkov i Ko.