

VIDYA BHAWAN BALIKA VIDYA PITH

शक्ति उत्थान आश्रम लखीसराय बिहार

Class 11 commerce Sub. BST. Date 6.10.2020

Teacher name – Ajay Kumar Sharma

BUSINESS SERVICES

INTRODUCTION

You must all have, at some time or the other experienced the effect of business activities on your lives. Let us examine few examples of business activity i.e., purchasing ice cream from a store and eating ice cream in a restaurant, watching a movie in a cinema hall or purchasing a video cassette/CD, purchasing a school bus and leasing it from a transporter. If you analyse all these activities, you will observe that there is a difference between purchasing and eating, purchasing and watching and purchasing and leasing. What is common in all of them is that one is purchasing an item and the other is experiencing a service. But there is definitely a difference between the item or good and the service performed. For a layperson, services are essentially intangibles. Their purchase does not result in the ownership of anything physical. For example, you can only seek advice from the doctor, you cannot purchase him.

Services are all those economic activities that are intangible and imply an interaction to be realised between the service provider and the consumer. Services are those separately identifiable, essentially intangible activities that provides satisfaction of wants, and are not necessarily linked to the sale of a product or another service.

A good is a physical product capable of being delivered to a purchaser and involves the transfer of ownership from seller to customer. Goods are also generally used to refer to commodities or items of all types, except services, involved in trade or commerce.

NATURE OF SERVICES

There are five basic features of services. These features also distinguish them from goods and are known as the five Is of services. These are discussed as below:

(i) Intangibility: Services are intangible, i.e., they cannot be touched. They are experiential in nature. One cannot taste a doctor's treatment, or touch entertainment. One can only experience it. An important implication of this is that quality of the offer can often not be determined before consumption and, therefore, purchase. It is, therefore, important for the service providers that they consciously work on creating a desired service so that the customer undergoes a favourable experience. For example, treatment by a doctor should be a favourable experience.

(ii) Inconsistency: The second important characteristic of services is inconsistency. Since there is no standard tangible product, services have to be performed exclusively each time. Different customers have different demands and expectations. Service providers need to have an opportunity to alter their offer to closely meet the requirements of the customers. This is happening, for example, in the case of mobile services.

(iii) Inseparability: Another important characteristic of services is the simultaneous activity of production and consumption being performed. This makes the production and consumption of services seem to be inseparable. While we can manufacture a car today and sell it after, say, a month; this is often not possible with services that have to be consumed as and when they are produced. Service providers may design a substitute for the person by using appropriate technology but the interaction with the customer remains a key feature of services. Automated Teller Machines (ATMs) may replace the banking clerk for the front office activities like cash withdrawal and cheque deposit. But, at the same time, the presence of the customer, is required and his/her interaction with the process has to be managed.

(iv) Inventory (Less): Services have little or no tangible components and, therefore, cannot be stored for a future use. That is, services are perishable and providers can, at best, store some associated goods but not the service itself. This means that the demand and supply needs to be managed as the service has to be performed as and when the customer asks for it. They cannot be performed earlier to be consumed at a later date. For example, a railway ticket can be stored but the railway journey will be experienced only when the railways provides it.

(v) Involvement: One of the most important characteristics of services is the participation of the customer in the service delivery process. A customer has the opportunity to get the services modified according to specific requirements.