

Tertiary sector of the economy

The **tertiary sector** or **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, discussion, 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.



Product's lifecycle

Contents

Difficulty of definition

Theory of progression

Issues for service providers

Examples of tertiary sector industries

List of countries by tertiary output

See also

References



Ambulance service.

Difficulty of definition

It is sometimes hard to define whether a given company is part 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.



Housemaid

Theory of progression

For the last 100 years, there has been a substantial shift from the primary and secondary sectors to the tertiary sector in industrialised countries. This shift is called **tertiarisation**.^[2] The tertiary sector is now the largest sector of the economy in the Western world, and is also the fastest-growing sector. In examining the growth of the service sector in the early Nineties, the globalist Kenichi Ohmae noted that:

"In the United States 70 percent of the workforce works in the service sector; in Japan, 60 percent, and in Taiwan, 50 percent. These are not necessarily busboys and live-in maids. Many of them are in the professional category. They are earning as much as manufacturing workers, and often more."^[3]

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 (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 protectionism.



Banker at work

Issues for 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.^[4]



Surgery team at work

Examples of tertiary sector industries

Examples of tertiary industries may include

- [Telecommunication](#)
- [Hospitality industry/tourism](#)
- [Mass media](#)
- [Healthcare/hospitals](#)
- [Public health](#)
- [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](#)



Transport service



Testing telephone lines in London in 1945.

List of countries by tertiary output

Below is a list of countries by service output at market exchange rates in 2016.



Service output as a percentage of the top producer (USA) as of 2005

Largest countries by tertiary output in Nominal GDP, according to IMF and CIA World Factbook, 2016		
Countries by tertiary output in 2016 (billions in USD)		
Economy		
(01) United States	14,762	
(—) European Union	12,077	
(02) China	5,688	
(03) Japan	3,511	
(04) Germany	2,395	
(05) United Kingdom	2,109	
(06) France	1,941	
(07) Italy	1,366	
(08) Brazil	1,295	
(09) Canada	1,081	
(10) India	1,024	
(11) Spain	926	
(12) Australia	859	
(13) South Korea	850	
(14) Russia	797	
(15) Mexico	661	
(16) Turkey	551	
(17) Netherlands	543	
(18) Switzerland	484	
(19) Indonesia	429	
(20) Belgium	362	

The twenty largest countries by tertiary output in 2016, according to the [IMF](#) and [CIA World Factbook](#).

See also

- [Quaternary sector of the economy](#)
- [Indigo Era \(economics\)](#)

References

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 2. Definition by the European Foundation for the Improvement of Living and Working Conditions(<http://www.eurofound.europa.eu/emire/GREECE/TERTIARIZATION-GR.htm>) Archived (<https://web.archive.org/web/20140720074155/http://www.eurofound.europa.eu/emire/GREECE/TERTIARIZATION-GR.htm>) July 20, 2014, at theWayback Machine
 3. The Borderless World: Power and Strategy in the Interlinked Economy
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