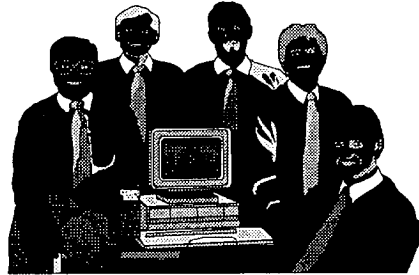


Introduction

➡ Why are services different?

➡ The role of small firms



Department of Foreign Affairs and International Trade
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Why are Services Different?

Strictly speaking, a service is a kind of product, which by definition is anything created by work. But in common use, we use the word service to describe products that have little or no physical manifestation. They also involve a high level of interaction with the buyer. These essential characteristics distinguish them from goods, which are physical products. Throughout the rest of this seminar, the word product will be used to mean goods.

Clearly, distinctions between products and services are reliant on assumptions about the kind of service and the kind of product being compared. A shoe shine, for example, is a close substitute for shoe polish and a brush. But a custom-written computer program is in another league from an off-the-shelf software package. And some products, like hand-machined equipment parts, include components of both. Therefore, there is no clear line between products and services. In general, however, services have a number of distinguishing features:

- Services are usually intangible, which means they cannot be touched. Typically, they are also difficult to quantify or measure.
- Sales are made on the basis of promises about the nature of the service, rather than by the display of samples or prototypes.
- The service provider's experience and credibility tends to be more important than is the case with producers of product.
- Services are more likely than products to be individually adapted to the needs of the customer.
- Differences between services offered by competing suppliers are not always obvious.