

Places and Services

A business can be defined as an organization that provides **goods and services** to others who want or need them. So, what are goods and services?

Goods are tangible things that are produced, bought or sold, then finally consumed. Look around your home and you will see dozens of examples, from the microwave to the flat-screen television and Nintendo Wii console.

Services are activities that other people or businesses do for you. When you book a holiday, visit the hairdresser or eat in a restaurant you are consuming one or more services. Services are sometimes referred to as intangible, in the sense that you can't touch or handle them.

Most businesses provide a service rather than make goods. That is particularly true of the small business sector. Take a flick through the Yellow Pages directory at home to see just how many small service businesses operate in your locality.

There are some important differences in the skills required to run a business making goods compared with services. Here is a brief summary:

GOODS

Requires a production location – factory.

The output from production is stock – which can be transported and/or stored for future sale.

Production costs will include the costs of raw materials and other inputs into the production process.

Requires close liaison with suppliers.

Quality can be built-in to the product through good design and production processes designed to ensure the right quality is achieved.

Quite costly to set up. The production process needs to be in place and working before goods can be produced.

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SERVICES

The location is where the service is provided – either physically (e.g. a builder) or virtually (e.g. telesales or via a website).

Service is delivered at a point in time – it cannot be stored! A shop has to be open to sell. A hairdresser has to be there to cut hair.

The main cost of a service business is the people involved.

Require high levels of customer satisfaction.

Quality is measured by the quality of customer service. It is harder to manage.

Relatively easy to start a service business, particularly using franchises, where a business format has already been established.

Reference:

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