SERVICE ECONOMY VS. INDUSTRIAL ECONOMY: KEY DIFFERENCES AND TRENDS

Axmadjonova Sanobar
Andijan State University

In the context of economic transformation, while material goods hold a significant place in most types of services, the share of intangible elements within material production is also increasing.

According to N.A. Barinov's definition, “A service is an economic relationship that arises from the results of labor, which manifest in the useful movement of a product (object) or in an activity aimed at satisfying a person's unique and rational needs, thereby creating utility values”. Therefore, the service provision process should be viewed as the process of delivering services to consumers, i.e., satisfying the needs of any physical or legal entities in various forms.

A more precise definition of the concept of "service" would be: "A service is the result of direct interaction between the provider and the consumer, forming an economic relationship that arises from the provider's beneficial activity in meeting the consumer's demand."

It is important to emphasize that when considering the concept of service, special attention is given to the standardization of services as one of the key regulatory tools in the service market. Service standards can be applied in areas such as dry cleaning, laundry, hotel business, communications, insurance, banking, trade, transportation services, and automobile maintenance.

It should be noted that scientific and technological progress has led to the emergence of services with unique characteristics. For example, information services differ from traditional services in the following ways: the results of information activities can be stored and transmitted through mass media in documented form, and the service provision process does not necessarily require personal interaction between the consumer and the provider.

The ratio of tangible and intangible elements varies across different types of services, allowing for the distinction between traditional and non-traditional services. It is important to highlight that there are various proportions between tangible and intangible elements in different services. For example:

The combination of material products with relevant services (e.g., computer setup, repair, and internet connection services).

Food services (e.g., in a restaurant, the meal cost may constitute only 30% of the total price, while the remaining costs include food purchasing, preparation, table setting, room rental, venue design, parking, and entertainment services).

"Pure services," such as care services for patients, the elderly, disabled individuals, and children.

If we consider service provision not just as the provider's activity required to deliver the service but as a process, its main stages can be identified: ensuring necessary resources, carrying out the technological process, monitoring, testing, acceptance, evaluation, and service delivery.

Quality indicators play a crucial role in the service provision process and are subject to continuous change and improvement. The fundamental parameters include:

Service time: The period during which the consumer interacts with the service provider.

Execution time: The time standard set for completing the service.

All quality parameters that affect the consumer must be recorded in two internal documents of the organization and remain under the constant supervision of the company's quality control service:

1. Service regulations – A document that includes requirements and standards regulating the order and conditions of service provision.

2. Service conditions – A document describing the factors influencing the consumer during the service process.

However, determining service quality presents certain challenges, as consumers lack specific criteria for evaluation. Nevertheless, as mentioned earlier, service providers must take this into account.

For different individuals, high-quality service and service quality may mean different things. Even when sellers understand what customers perceive as high-quality service, service management still faces challenges in preventing non-standard disputes.

Moreover, there may be differences in opinion among service providers, making it harder to assess service quality than a machine-produced product. The challenges in minimizing service quality variability are further complicated by the fact that consumers may not emphasize the need for management's attention to inconsistent service quality. As a result, management may remain unaware of poor service levels and fail to take appropriate corrective measures.

Service activities have penetrated almost all sectors of the economy, making it difficult to define the exact boundaries of the service sector. In reality, the service sector represents a "popularization sphere" of service activities, where it is a primary sector in some industries while partially present in others, such as mining and manufacturing. Consequently, the most important characteristic of the service sector is its diversity. The challenge of defining its "boundaries" is highly relevant for both statistical science and practice, as the ambiguity in interpreting this phenomenon directly affects the representation of national and global economic structures. This influences economic development outcomes, the quality of economic growth, living standards, and various economic processes, including sectoral and regional economic statistics that determine a country's ranking.

To assess the role and significance of service enterprises, it is crucial to distinguish between the service economy (to which the service sector directly belongs) and the industrial economy.

Key Differences Between the Service Economy and Industrial Economy:

1. In the service economy, enterprises primarily focus on maximizing efficiency to fully satisfy customer needs, whereas in the industrial economy, enterprises aim to maximize product output.

2. The concept of utility in the service economy includes both material products and the corresponding services within a system, whereas in the industrial economy, only the material aspects of products are considered.

3. In the service economy, quality is defined by the provider's ability to establish and maintain relationships with customers to maximize their satisfaction. In contrast, in the industrial economy, quality refers to the enterprise's ability to perform its work effectively.

4. The management style in the service economy is evolving, characterized by decision-making flexibility, responsiveness, network structuring, maneuverability, and openness. In the industrial economy, management is highly mechanized, hierarchical, and rigidly structured. Modern economic entities increasingly strive to create organizational structures with strong horizontal connections and less vertical integration.

5. The primary focus in the service economy is on the efficiency of material-service systems, whereas the industrial economy is centered on transforming raw materials into finished products (emphasizing core technologies).

Thus, in the service economy, the key factor determining enterprise success is the ability to understand customer preferences and trends, as well as the capacity to meet customer needs as effectively as possible.

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