CHAPTER 12: SERVICES

By: Xena Tame
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CONSUMER SERVICES

• Principal purpose: to provide services to individual consumers who desire them and can afford to pay for them

• Retail and Wholesale Services: Compose about 15% of all U.S jobs. Department stores, grocers, and motor vehicle sales and service = 1/2 of these jobs. Wholesalers that provide merchandise to retailers = 1/4 of these jobs.

• Education Services: 10% of all U.S jobs. 2/3 of educators are employed in public schools. 1/3 in private schools.

• Health Services: 12% of all U.S jobs. (Doctors' offices, Hospitals, and Nursing Homes)

• Leisure and Hospitality Services: 10% of all U.S jobs. Around 70% are in restaurants and bars; 30% is divided evenly between lodging and entertainment
BUSINESS SERVICES

• Principal Purpose: to facilitate other businesses.

• Financial Services: 6% of all U.S jobs; Often called: F.I.R.E (Finance, Insurance, Real Estate) 1/2 of these jobs are in banks and other financial institutions; 1/3 in insurance companies; the rest in real estate

• Professional Services: 12% of all U.S jobs. 1/2 in technical services (law, management, accounting, architecture, engineering, design, and consulting). Other 1/2 in support services (clerical, secretarial, and custodial work).

• Transportation and Information Services: 6% of all U.S jobs. 1/2 in transportation (trucking). Other 1/2 in information services (publishing and broadcasting) and utilities (water and electricity).
PUBLIC SERVICES

• Principal Purpose: to provide security and protection for citizens and businesses.
• 17% of all U.S jobs.
• 9% of public school employees are excluded from this total and counted under CONSUMER services.
• 1/4 work for the federal government, 1/4 for one of the 50 states, and 1/2 for one of the tens of thousands of local governments
CHANGES IN NUMBER OF EMPLOYEES

• Growth in employment in the U.S has been in services (Tertiary Sector) while employment in the primary and secondary sector activities has declined.

• Jobs expanded more rapidly in professional services (engineering, management, and law), data processing, advertising, and temporary employment agencies.

• Consumer Services: most rapid increase has been in health care (hospital staff, clinics, nursing homes, and home health-care programs).

• More stores are opening, but they don't need as many employees as in the past.
SERVICES IN EARLY RURAL SETTLEMENTS

- People used to live as nomads, migrating in small groups while in the search for water. (Hunters and Gatherers).
- Settlements most likely originated to provide consumer and public services. Business services must have come later.
EARLY CONSUMER SERVICES

• Earliest permanent settlements may have been established to provide consumer services, more specifically to bury the dead.

• Groups may have then installed priests at the site to perform the service of saying prayers for the deceased. May have encouraged structures- places of ceremonies and/or dwellings.

• Religious structures were the largest structures in the settlement (before skyscrapers).

• Women kept "home and hearth," making household objects (pots, tools, and clothing) and educating children. Services later evolved into schools, libraries, theaters, and museums.

• Settlements became manufacturing centers. Variety expanded as people began to specialize.

• Settlements took on a retail-service function.
EARLY PUBLIC SERVICES

• Most likely originated following religious activities.
• Group's political leaders may have permanently settled in a location (located for strategic reasons such as to protect land claims).
• In defense: settlement would be surrounded with a wall. Thus, settlements became citadels- centers of military power.
• Walls were an extremely effective defense until warfare was revolutionized by the introduction of gunpowder in Europe in the 14th century.
EARLY BUSINESS SERVICES

• Food necessities were satisfied through hunting and gathering; transportation services probably originated due to this.

• Wood, animals, vegetation, and minerals were probably brought to settlements in which those resources were not abundant/original. They were then exchanged for other items.

• Officials in the settlement would provide producer services (regulating terms of transactions, setting fair prices, keeping records, and creating a currency system).
SERVICES IN EARLY URBAN SETTLEMENTS

• Date from the beginning of documented history in the Middle East and Asia. All urban settlements used to be rural since their economies depended on agriculture.

• Services in Ancient Cities
  • Urban settlements may have originated in Mesopotamia and diffused at an early date to Egypt, China, and South Asia's Indus Valley. Or originated independently in those four hearths.
  • Earliest Urban Settlements: Among oldest well-documented is Ur in Mesopotamia. It means fire and it is where Abraham lived prior to his journey to Canaan in approx. 1900 B.C. Titris-Hoyuk in present-day Turkey had a population of about 10,000 Walls and streets laid out first. Palaces, temples, and cemeteries were placed beyond the walls.
  • Ancient Athens: Settlements first established in eastern Mediterranean about 2500 B.C. Oldest includes Knossos on the island of Crete, Troy in Asia Minor (Turkey), and Mycenae in Greece. Organized into city-states-independent self-governing communities that include settlement and nearby countryside. Athens was largest and first to reach pop. of 100,000
  • Ancient Rome: Established as centers of Administrative, military, and other public services. Trade was encouraged
SERVICES IN MEDIEVAL CITIES

• Urban life revived after fall of Roman Empire as lords established new urban settlements.

• Lords gave residents charters of rights; urban residents preferred military service over to being burdened by rural serfs- farmed lord's land and kept a small portion of their own output.

• Urban dwellers expanded on trade. Largest settlements served as power centers.

• Tallest and most elaborate structures were usually churches.

• Most populous cities in 900: Baghdad (Iraq), Constantinople (Istanbul in Turkey), Kyoto (Japan), and Hangchow (China).

• Agra (India), Cairo (Egypt), Canton (China), Isfahan (Iran), and Osaka (Japan) also ranked among largest prior to Industrial Revolution.
KEY ISSUE #2
WHERE ARE CONTEMPORARY SERVICES LOCATED?

- Services in Rural Settlements
- Services in Urban Settlements
SERVICES IN RURAL SETTLEMENTS

• Clustered Rural Settlement: place where number of families live in close proximity to each other
• Dispersed Rural Settlement: Farmers living on individual farms isolated from neighbors.
CLUSTERED RURAL SETTLEMENTS

• Includes homes, barns, tool sheds, and other farm structures plus religious structures, schools, and shops.

• Usually called hamlet or village.

• Each field must be accessible to farmers; limited radius of 1 or 2 kilometers (1/2 to 1 mile) from buildings.

• Often appear in Circular or Linear Patterns
CIRCULAR RURAL SETTLEMENTS

- Kraal villages in southern Africa; includes enclosures for livestock in the center; surrounded by ring of houses.
- Gewandorf settlements, once found in rural Germany; core of houses, barns and churches encircled by different types of agricultural activities.
- Small garden plots were located in the first ring surrounding the village, with cultivated land, pastures, and woodlands in successive rings.
LINEAR RURAL SETTLEMENTS

• Buildings clustered along the road, river, or dike to facilitate communications.
• In French long-lot systems, houses were located along a river (water source and communications).
• Long, narrow lots eventually subdivided due to the requirement of French law that each son inherit an equal portion of estate (heirs established separate farms in each division).
• New linear settlement emerged along each road, parallel to the original riverfront settlement.
CLUSTERED SETTLEMENTS IN COLONIAL AMERICA

• New England colonists built clustered settlements centered on an open area called a common. Each settler had a home lot of 1 to 5 acres (1/2 to 2 hectares) containing a barn, garden, and enclosures for livestock.

• Colonists clustered in settlements for protection.

• Each villager owned different parts of land to provide variety of crops.

• Outside the town, pastures and woodland were used for the common use of all residents.
DISPERSED RURAL SETTLEMENTS

• Rural settlements more common outside of New England.
• Disadvantages: lost time moving between fields, building of more roads, restrictions on what could be planted.
• Introduction of farm machinery resulted in farms operating more efficiently at a larger scale.
DISPERSED RURAL SETTLEMENTS IN THE UNITED STATES

• Middle Atlantic colonies settled by more heterogeneous groups than those in New England.

• Dominated American Midwest because early settlers came primarily from Middle Atlantic Colonies. Pioneers crossed Appalachian Mountains and settled on dispersed farms along the frontier.

• Worked when population was low, but spare land was scarce to meet the needs of a growing population through natural increase and net immigration.
DISPERSED RURAL SETTLEMENTS IN GREAT BRITAIN

• A number of European countries converted clustered settlements to dispersed settlements for better efficiency in agriculture.

• Enclosure Movement in Great Britain between 1750 and 1850. Government transformed rural landscape by consolidating individually owned strips of land surrounding a village into a single large farm, owned by an individual.

• Enclosure movement = greater agricultural efficiency, but destroyed self-contained village life.

• Villagers moved to urban areas. Isolated, dispersed farms, unknown to medieval England, became part of the country's rural landscape.
SERVICES IN URBAN SETTLEMENTS

• Population exceeds that of rural for the first time in human history in 2008.

• Differences between Urban and Rural Settlements
  • Louis Wirth: urban dwellers follow different way of life
  • city as a permanent settlement: large size, high population density, and social heterogeneous
  • Large size: relation between people is evident in rural settlements (people you relax with are the people you see in local shops or at church. Urban- only small percentage you know (meet in specific roles)
  • High Density: according to Wirth, it produces social consequences in urban areas. Only way a large number of people can be supported is through specialization. Encourages people to compete for survival in limited space. Social groups compete, stronger group dominates
  • Social heterogeneity: Larger, greater variety of people. Greater freedom in urban areas to pursue unusual professions, sexual orientation, or cultural interest. People have similar interests.

• Wirth’s three-way distinction may still apply in LDCs. MDCs- social distinction between urban and rural is blurred. Everyone is urban.
INCREASING PERCENTAGE OF PEOPLE IN CITIES

• Urbanization-process by which the population of urban settlements grows
• Large percentage in urban areas reflects a country’s level of development
  • MDCs- 3/4 of population in urban areas. LDCs- 2/5 of population in urban areas
• Exception ins Latin America: urban percentage is comparable to level of MDCs
• Higher percentage of urban residents is a consequence of changes in the economic structure during past two centuries
  • The Industrial Revolution and the growth of services in the 20th century.
• Migration from countryside to work at factories and services concentrated in cities.
• Decrease of the percentage of people living in rural areas
• Process of urbanization that began around 1800 has largely ended; MDCs are fully urbanized.
• LDCs- percentage of people in cities rising rapidly because of migration of rural residents in search of jobs
INCREASING NUMBER OF PEOPLE IN CITIES

- LDCs have more of the very large urban settlements
  - Buenos Aires, Delhi, Dhaka, Kolkata, Mexico City, Mumbai, Sao Paulo, and Shanghai
  - New York and Tokyo are the two largest cities in MDCs
- LDC - migration from countryside is fueling half of increase in population in urban areas
- Other half - high natural increase; Africa's NIR accounts for 3/4 of urban growth.
KEY ISSUE #3
WHY ARE CONSUMER SERVICES DISTRIBUTED IN A REGULAR PATTERN?

• Central Place Theory
• Market-Area Analysis
• Hierarchy of Services and Settlements
CENTRAL PLACE THEORY

• Helps explain how the most profitable location can be identified.
  • First proposed by German geographer Walter Christaller. August Losch and Brian Berry + others further developed the concept.

• Central Place- market center used for exchange of goods and services attracted from the surrounding area.

• Market area located in center to maximize accessibility.

• Competition between central places to serve as market areas for the surrounding region creates a regular pattern of settlements.
MARKET AREA OF A SERVICE

- Market area/ Hinterland- area surrounding a service from which customers are attracted
- Perfect example of a nodal region- region with a core where characteristic is most intense
- Most people prefer to get services from the closest area; consumers near the center of the circle obtain services from local establishments. The closer to the periphery of the circle, the greater is the percentage of consumers who will choose to obtain services from other nodes.
- Hexagons most commonly used because the variation of the distance is less than in a square.
SIZE OF MARKET AREA

• Market area of every service varies.
• To determine extent of a market area, geographers need to know its range and threshold.
• Range- maximum distance people are willing to travel to use a service. The radius of the circle (or hexagon) drawn to delineate a service's market area.
  • Only short distances for everyday consumer goods (groceries). Long distances for other services (a concert or a game).
  • People think of distance in terms of time when traveling far for a service.
• Threshold- minimum number of people needed to support a service.
  • Each service has a minimum number of customers required to generate enough sales to make a profit.
• Potential consumers inside range depends on product.
• If a good or service appeals to certain customers, then only the type of good or service that appeals to them should be counted inside the range.
MARKET-AREA ANALYSIS

• "Retailers and other providers of consumer services use market-area analysis to determine if locating in the area would be profitable and where the best location would be within the market area.

• ONWARDS!!!
PROFITABILITY OF A LOCATION

1. Compute the Range- surveying local residents and determining whether people are willing to travel 15 or so minutes to reach a convenience store.

2. Compute the Threshold- determine if the minimum worth of goods per week is enough to make a profit and how much the customer spends (or will spend), how many customers will be attending the store. And determine how many times a week will the customer attend the store.

3. Draw the Market Area- for proposed area draw irregular circles w/ a radius of 15 minute (travel time). Count number of people within the circle. If more than 5,000, then threshold may be high enough to justify location of the store.
   - Threshold may need to be higher and size bigger if there are competitors in the area.
OPTIMAL LOCATION WITHIN A MARKET

• Where should the service be located in the market area to maximize profit?
• According to geographers, one that minimizes the distance to the service for the largest number of people.
BEST LOCATION IN A LINEAR SETTLEMENT

• Best location- one that minimizes the distance you must travel. (using pizza delivery).

• Corresponds to the median- the middle

• Gravity Model- predicts that the optimal location of a service is directly related to the number of people in the area and inversely related to the distance people must travel to access it.

• Consumer behavior:
  • 1. Greater number of people in a location, greater number of potential customers
  • 2. Farther people are from a particular service, less likely they are to use it.
BEST LOCATION IN A NONLINEAR SETTLEMENT

• 1. Identify place for possible site of service.
• 2. Within range, identify where each potential customer lives
• 3. Measure the distance from possible site to every potential user
• 4. Divide every potential user by the distance to potential site.
• 5. Sum all results of potential user divided by distances
• 6. Select a second possible location for a new service, repeat steps 2-5
• 7. Compare results of step 5 for all sites. Site with highest score has highest number of potential users. THE HIGHEST WINS!!!!
HIERARCHY OF SERVICES AND SETTLEMENTS

• Small settlements limited to consumer services because of small thresholds, short ranges, and market areas.

• Large department store or specialty store cannot survive in a small settlement because minimum number of people needed exceeds the population within range of the settlement. Larger settlements have larger thresholds, ranges, and market areas.

• We only travel greater distances only if the price is much lower or of the item in unavailable locally.
NESTING OF SERVICES AND SETTLEMENTS

• According to Central Place Theory- market areas across and MDC would be a series of hexagons of various sizes, unless interrupted by physical features (mountains and bodies of water).

• Nesting pattern can be illustrated with overlapping hexagons of different sizes. Four different levels of market area- hamlet, village, town, and city. Hamlets have very small market areas (represented by smaller hexagons).

• Walter Christaller showed distances between settlements in southern Germany followed a regular pattern. 7 sizes: market hamlet, township center, county seat, district city, small state capital, provincial head capital, and regional capital city. Smallest being market hamlet.
RANK-SIZE DISTRIBUTION OF SETTLEMENTS

• The country's nth largest settlement is 1/n the population of the largest settlement. (Second largest is one-half the size of the largest; fourth largest is one-fourth the size of the largest, etc...)

• When plotted on logarithmic paper, the rank-size distribution forms a fairly straight line.

• Primate city rule- largest settlement has more than twice as many people as the second-ranking settlement. In this distribution, the country's largest city is called the primate city.

• Existence of rank-size rule has had a real impact on the quality of life for country's inhabitants.
PERIODIC MARKETS

• Collection of individual vendors who come together to offer goods and services in a location on specified days
• Provides goods to residents of LDCs as well as rural areas in MDCs (sparse populations and low incomes produce purchasing power too low to support full-time retailing)
• Frequency of periodic markets varies by culture
KEY ISSUE #4
WHY DO BUSINESS SERVICES CLUSTER IN LARGE SETTLEMENTS?

• Hierarchy of Business Services
• Business Services in LDCs
• Economic Base of Settlements
HIERARCHY OF BUSINESS SERVICES

• Services in World Cities:
  • World cities most closely integrated into global economic system because they are at the center of information and capital. Law, banking, insurance, accounting, and advertising, concentrate, etc... concentrate in disproportionately large numbers in world cities.
  • New forms of transportation and communications were expected to reduce the need to cluster in large services. Some economic activities have decentralized, especially manufacturing, but modern transportation and communications reinforce rather than diminish the primacy of world cities in the global economy.
BUSINESS SERVICES IN WORLD CITIES

• Clustering of business services in the modern world is a product of the Industrial Revolution.

• World Cities offer many financial services to businesses. They attract the headquarters of major banks, insurance companies, and specialized financial institutions where corporations obtain and store funds for expansion of production.

• Obtaining information in a timely manner is essential in order to buy and sell shares at attractive prices.
CONSUMER SERVICES IN WORLD CITIES

• World cities have extensive market areas due to their large size.
• A disproportionately large number of wealthy people live in world cities, so luxury and highly specialized items are likely to be sold there.
• Leisure services of national significance cluster in world cities (or may cluster).
• They contain the largest libraries, museums, and theaters.
PUBLIC SERVICES IN WORLD CITIES

• World cities may be centers of national or international political power. Most are nation capitals.

• Also clustered in such cities are offices for groups of businesses w/ the government (representatives of foreign countries, trade associations, labor unions, and professional organizations).

• New York- not a national capital but it is home to the United Nations.

• Brussels- a world city because it is the most important center for European Union activities.
FOUR LEVELS OF BUSINESS SERVICES

• World cities may be divided into three tiers:
  • Dominant World Cities: London, New York, Tokyo- each largest in one of three main regions of MDC (Europe, North America, and Asia)
  • Command and Control Centers: Contain HQ of many corporations. Important medical and educational and public institutions as well. 2 levels of command and control centers are regional centers and subregional centers.
  • Specialized Producer-Service Centers: offer more narrow and highly specialized variety of services. R&D (research and development).
  • Dependent Centers: provide relatively unskilled jobs and depend on economic health
    • Resort, Retirement, and Residential Centers: South and West
    • Manufacturing Centers: old northeastern manufacturing belt
    • Military Centers: South and West
    • Mining Centers: Mining areas
BUSINESS SERVICES IN LDCS

- Offshore financial services
- Back-office functions
OFFSHORE FINANCIAL SERVICES

- small countries, usually island and microstates, exploit niches in circulation of global capital.
- Taxes: on income, profits, and capital gains- low or non-existent.
- Privacy: bank secrecy laws can help evade disclosure in home countries.
- British Dependencies Other than Caymans: Anguilla, Montserrat, and British Virgin Islands in Caribbean; Guernsey/Sark/Alderney/, Isle of Man, Jersey in English Channel. Gibraltar off Spain.
- Dependencies of Other Countries: Cook Island and Niue(New Zealand). Aruba and Netherlands Antilles(Netherlands) U.S Virgin Islands
- Other Independent Countries: Andorra, Liechtenstein, Monaco(Europe). Belize and Panama( Central America).Bahrain(Middle East). Liberia(Africa).
BACK OFFICES

- found in peripheral regions; also known as business-process outsourcing (BPO)
- Processing insurance claims, payroll management, transcription work, and other routine clerical activities.
- Many services have moved routine work to lower-rent buildings in CBD
- Low Wages: few thousand dollars per year. 1/10 the wages paid for workers in performing similar jobs in MDCs
- Ability to speak English: India, Malaysia, and Philippines have substantial English speaking workers due to British and American colonial rule.
- American Express and General Electric have extensive back-office facilities in these countries
ECONOMIC BASE OF SETTLEMENTS

• Basic Industries: export primarily to consumers outside the settlement
• Nonbasic Industries: enterprises whose customers live in the same community-consumer services.
• Economic Base: community's unique collection of basic industries
• Economic Base important because exporting by basic industries brings money into local economy' stimulating provision of more nonbasic consumer services for the settlement.
• Basic Industries can be identified by computing the percentage of community's workers employed in different types of business.
SPECIALIZATION OF CITIES IN DIFFERENT SERVICES

• Settlements in U.S. can be classified by their type of basic activity. Each activity has different spatial distribution.
• Concept of basic industries originally referred to manufacturing.
• In postindustrial society, like U.S., increasingly the basic economic activities are in businesses, consumer, or public services,
  • Business Services
    • General business: Large metropolitan areas
    • Computing and Data Processing services
    • High-tech industries support services
    • Military activity support services
    • Management-consulting
  • Consumer Services
    • Entertainment and recreation
    • Medical Services
  • Public Services
    • State Capitals
    • Large Universities
    • Military bases
DISTRIBUTION OF TALENT

• Individuals with special talents are not distributed uniformly among cities
• Talented individuals are most likely to be attracted to cities with most job opportunities and financial incentives
• Reason to cluster is more cultural than economic (according to research done by Richard Florida)
• Individuals "gravitate" toward cities with more cultural diversity.
~THE END~

- For more information on groovy service facts, ask Xena.

please don't.