

1. The Concept of the Service Sector:

In every country around the world, there exist numerous institutions; some engage in diverse activities, while others perform similar ones. In order to study the national economy with greater precision, economists classify these institutions into groups of homogeneous activities known as *economic sectors*. Accordingly, an economic sector can be defined as: *a group of institutions that carry out the same principal activity*.

Economists typically distinguish among three main sectors that contribute to the creation of added value: the **primary sector**, which includes agricultural and farming activities; the **secondary sector**, which encompasses industrial enterprises; and the **tertiary sector**, namely the service sector, which includes various institutions engaged in service-oriented or commercial activities. The service sector is defined as the share represented by services, in all their forms, within the national economy, including those provided by governments and non-profit organizations.

In Algeria, the service sector comprises both **market services** (services outside public administration), such as transportation, communications, trade, hotels, cafés and restaurants, services provided to businesses, and services offered to households; and **non-market services** (public administration services), including public administration, financial services, and real estate activities.

It is important to note a certain degree of overlap among economic sectors, as some institutions engage in multiple activities of fundamentally different natures. For instance, service institutions may develop industrial activities through continuous research to improve their services. Telecommunications companies, for example, may manufacture satellites to enhance their communication systems, thereby improving the services they provide. Similarly, food service companies may adopt backward integration strategies by investing in agriculture to supply themselves with raw materials such as flour, meat, and oils. Moreover, a significant “hidden” service sector exists within many large institutions classified as industrial, extractive, or agricultural. This internal service sector may either be managed internally or outsourced to specialized service providers, including legal services, transportation, maintenance, and cleaning.

2. Drivers of the Growth of the Service Sector:

Among the most important factors contributing to the expansion of the service sector are the following:

- The increase in employment within the service sector (with women representing a significant proportion), which has reduced the time available for household duties and consequently increased demand for domestic services such as cooking, cleaning, and childcare.
- The growing variety and complexity of goods requiring associated services, such as computers, electronic devices, communication equipment, and security systems. These tangible goods often require specialized services before and during use, including installation, maintenance, and training.
- Rising income levels and improved standards of living, leading individuals to spend more on services that enhance comfort and enjoyment, such as tourism and leisure activities.
- Increased leisure time due to technological advancements, enabling greater consumption of services.
- Changes in the business environment, particularly in legislation and regulations, as well as evolving consumer expectations, which have increased demand for legal, administrative, fiscal, and consulting services.
- At the academic level, since the mid-1970s, there has been significant development in the field of services marketing, with universities and institutes offering specialized training programs, accompanied by growing demand from managers and executives.

Second: Service Organizations

1. The Concept of a Service Organization:

A service organization can be defined as: *a system composed of a group of individuals and organized resources that interact to produce intangible value aimed at satisfying customer needs and desires.*

Thus, a service organization is any institution whose primary purpose is to provide a service to customers. Examples include hotels, restaurants, hospitals, financial and educational institutions, and telecommunications companies, in addition to various other service providers.

A service, in general, is characterized as intangible, and its purchase does not necessarily result in the transfer of ownership. Rather, it involves the acquisition of benefits and value, a topic that can be explored in greater detail in subsequent lectures.

2. Classification of Service Organizations:

In 1988, **Haywood and Farmer** proposed a model for classifying service organizations based on three key dimensions:

- Degree of contact and interaction (high/low).
- Degree of reliance on human labor in service delivery (high/low).
- Degree of customization of service according to customer preferences (high/low).

Similarly, in 1989, **Vandermer and Crawick** classified service organizations based on two dimensions:

- Degree of interaction and contact (low/high).
- Degree of tangibility in the service process (pure service, service with supporting goods, service embodied in goods).

Meanwhile, **Philip Kotler** classifies service organizations according to:

- **Ownership type:** private sector institutions (e.g., distribution firms, banks) and public sector institutions (e.g., police, public hospitals).
- **Target market:** consumer markets (e.g., insurance, retail trade) and industrial markets (e.g., IT services).
- **Level of customer contact:** high-contact services (e.g., barbers, physicians) versus low-contact services (e.g., laundromats, dry cleaners).

Third: The Role of Marketing in the Service Sector

According to **Lovelock (1996)**, several major developments in advanced economies have encouraged service organizations to adopt marketing concepts, including:

- Changes in legislation and regulatory frameworks, reducing government intervention in pricing, distribution, and sometimes service characteristics, thereby enhancing competition and service quality.
- Relaxation of professional association standards, allowing advertising and promotional activities essential for innovation and competitive pricing.

- The trend toward privatization of public services (e.g., aviation, telecommunications, transport), leading to organizational restructuring and a stronger focus on customer needs and market segmentation.
- Rapid technological advancements, encouraging service firms to innovate in their methods of interacting with customers.
- The expansion of service chains, franchising, and licensing networks, which require the adoption of effective marketing strategies to enhance efficiency and performance.
- Globalization and international expansion of service firms to better serve existing customers and enter new markets.
- Increased reliance on leasing and outsourcing practices within service organizations.
- The transformation of manufacturers into service providers, whereby services such as transportation and delivery have evolved into independent profit-generating activities.

1. The Concept of Services Marketing:

The traditional concept of marketing, as defined by the American Marketing Association (AMA, 1985), refers to: *the activity that facilitates the flow of goods and services from producer to consumer*. This definition emphasizes marketing as an organizational function.

In contrast, the modern or expanded concept, as defined by **Philip Kotler**, views marketing as: *a socio-economic mechanism through which individuals and groups satisfy their needs and wants by exchanging products and services for other products, services, or monetary units*.

Based on the above, services marketing can be defined as: *a system of integrated activities and continuous research involving all employees within the organization, aimed at managing a distinctive and comprehensive marketing mix. This is achieved through building, maintaining, and strengthening long-term, profitable relationships with customers, with the objective of creating a positive long-term impression and delivering mutual benefits and promises to all parties involved*.

2. Dimensions of Services Marketing:

Services marketing comprises three fundamental dimensions:

a. Internal Marketing:

Internal marketing is based on the idea that all individuals within the organization must exert maximum effort to enhance the efficiency and effectiveness of external marketing activities. Each organizational unit markets its capabilities and resources to other units within the same organization. It involves designing policies and programs directed at employees (internal customers) to achieve high levels of satisfaction, which in turn improves the quality of service delivered to external customers.

b. Interactive (Relationship) Marketing:

Relationship marketing has been defined as the organization's commitment to developing, maintaining, and reinforcing profitable interactive relationships with customers over time. It is also described as a customer-centered approach aimed at building long-term relationships with both current and potential customers. As emphasized by McKenna, it is essentially the creation of a lasting relationship with the customer.

c. External Marketing:

In addition to internal and interactive marketing, services marketing requires the development of a specialized marketing mix based on the relationship between the organization and its external environment, including customers and competitors. External marketing encompasses traditional marketing activities related to

communication with target markets, understanding customer needs and expectations, promoting services, and building a strong and positive market image that differentiates the organization from its competitors.