



Tertiary Activities: Where and Why?

Economies are divided into 4 main parts.

- **Primary activities** are those which deal directly with raw materials such as timber, agricultural crops, fish or minerals.
- **Secondary activities** concern the processing of raw materials into useful items and include all forms of manufacturing such as oil refining, food processing and engineering.
- **Tertiary activities** are less directly involved with raw materials and include the wide range of services in an economy. Some services are part of the industrial process, for example the transport of raw materials and goods, but others are more concerned with the quality of consumer life as illustrated by medical, educational or legal services. The biggest service industry is tourism.
- **Quaternary activities** are concerned with the handling of information, for example research and development or electronic transmission of information.

Background

Tertiary activities form a part of every economy, regardless of the stage of economic development. In Developing countries services may include water selling, refuse collection and recycling or portage for example. During industrialisation, the forms of service industry may begin to change. Accounts, insurance of goods and legal records of transactions become more necessary as does the requirement for a transport system. Thus, service industries may begin to expand in number. However, in terms of employment and production, secondary activities are likely to be dominant.

In the Developed countries service industries are gradually replacing manufacturing as the major area of employment (see Fig 1 and Table 1). This is true of Britain for example, especially with deindustrialisation over the last thirty years or so. (See Factsheet #41: Deindustrialisation)

Fig 1. The sectoral shift of employment in Britain 1856-1975

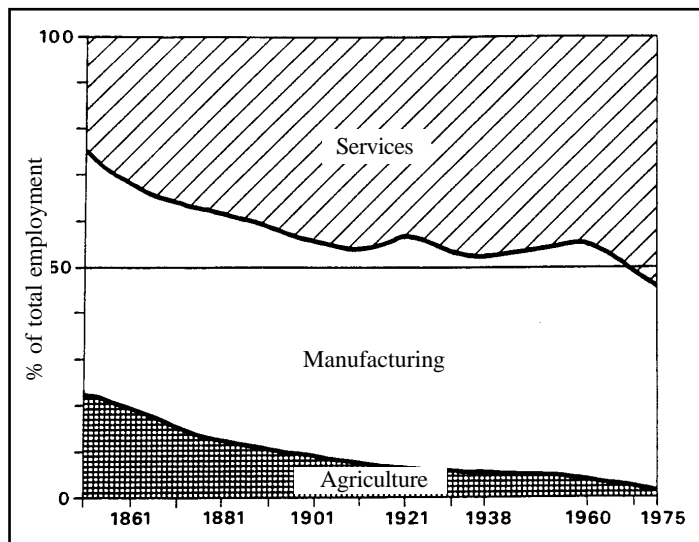


Table 1. Percentage of GDP and employment by major sector

	GDP			Employment		
	1971	1986	Change	1971	1986	Change
Agriculture	3.0	1.8	-1.2	1.9	1.5	-0.4
Production industries & construction	44.5	38.1	-6.4	44.7	31.1	-13.6
Market services	35.8	40.5	+4.7	31.6	40.1	+8.5
Non-market services	16.7	19.6	+2.9	21.8	27.4	+5.6

The nature of Tertiary Activities

Because the range of services which make up the tertiary sector is so large it helps to group activities into two categories, producer services and consumer services.

1. Producer Services

These provide directly for other industries, for example wholesaling, planning consultants, management selection, public relations, computer software developers or merchant banks.

2. Consumer Services

These provide output directly to public consumers (you and me) - hypermarkets, rail transport, job centres, building societies, cinemas and entertainment parks.

Unfortunately some services could fit both these roles, depending on the precise output (e.g. legal services and tourism). It is not hard to see that tourism is a consumer service. However, this huge industry will also include jobs which are essentially producer services such as the dedicated airlines which are responsible for the movement of tourists by particular companies (e.g. Britannia Airways and Thomson Holidays).

Another classification can be made, of

- "**footloose industries**" which are not tied to particular locations (e.g. cash points of banks and building societies)
- "**tied industries**" which are related to particular demands at particular locations (e.g. the provision of aircraft meals at air terminals).

Finally, there is an obvious distinction between those services which require office space in which to operate e.g. financial services, and the non-office services such as transport or utility suppliers such as gas, water or telephone companies.

Given the wide range of services now present in Developed countries it is impossible to give simple explanations which account for their locations. Equally, it is very difficult to give simple reasons for the growth of the tertiary sector in developed economies. However, five frequently examined reasons are:

1. The emergence of individual wealth allowing consumers more choice and the ability to improve their quality of life through an increased demand for services.
2. Improvements in technology especially improvements in communication and technology.
3. The freedom of entrepreneurs to create new perceived demands for entertainment and travel.
4. Increased global awareness of other countries and the ability to visit or be directly involved through trade or aid.
5. The stimulus of deindustrialisation, forcing people to rethink traditional attitudes to jobs and security in their own country.

Location factors

A number of important factors influence the **locations** chosen for service activities.

1. **Accessibility** is a factor of prime importance. In present technological terms access has several meanings. Traditionally it can mean the walking time to a newsagents, the parking spaces at the shopping centre, or just travelling time. Alternatively, access can mean the waiting time on a telephone call, the availability of a fax number or the delay in visiting something on the world wide web. Many service industries are not involved in exchange of goods; rather they provide up-to-the-minute information on travel conditions or last minute holiday bookings and flights (e.g. Ceefax).
2. **Market.** All viable service industries satisfy a market demand. The challenge is to identify the location, size, strength and access to the particular markets and to invent new ways of extending or recreating markets over time. As discussed, in many cases it is extremely difficult to locate markets in particular locations.
3. **Capital.** Investment in office blocks, computer technology and specialised equipment for the service provision is an important part of costs. Many firms will try to reduce the amount of capital they have to spend by choosing locations away from city centres (if the industry is footloose) on out-of-town sites with good road access for the workforce and consumers, space to expand, pleasant surroundings and relatively lower ground rents than those of a CBD. Those office services tied to a particular location in a city will tend to occupy high-rise, prestigious buildings which suit a company's image.
4. **Labour.** Most tertiary industries are relatively labour intensive, in contrast to the highly automated processes of manufacturing industry. Both full-time and part-time labour is required (often adjusted in volume for seasonal demands) and in many instances there is a need to provide 7 days a week, 24 hour a day availability to the consumer. Sometimes this labour is home-based, but "locked into" the computer terminals of the parent company. (The modern out-worker probably has a computer suite in the spare bedroom with a system of logging on and off work.) Much use is made of both male and female labour; the labour qualifications may well vary but, increasingly, the ability to type on a computer keyboard is a basic need!

Consumer Service Location and Central Place ideas

To some extent the pattern of consumer services reflects the pattern of population with many services being available to urban populations and correspondingly fewer services in less densely populated rural areas. Christaller's central place model (1966) has relevance.

The **threshold** of a service is the minimum number of firms or individuals needed in an area to ensure there are sufficient customers to make the service economically viable. For example a medium size supermarket traditionally needed a population of 20,000 in order to ensure enough customers. (N.B. It is not assumed that all 20,000 will shop at the store.)

The **range** of a service is the maximum distance that consumers are willing to travel. Estimation of the population within a known range will give some indication of anticipated market area and market size. Provided this market is greater than the threshold then the business could be viable. For example, Sainsburys are alleged to review the size and purchasing power of the population within 15 minutes car drive from any intended supermarket site. On a more local scale, school field work may well be able to establish the range of a local newsagent (e.g. from delivery rounds), and point to any gaps in the market coverage.

A **hierarchy of services** can be recognised with low order goods and services at the bottom consisting of low value, frequently purchased items with short range, up through middle order services to high order goods and services with expensive, rarely purchased items with a long range. If the newspaper is a good example of a low range good, then a trip to an opening night of a theatre or film in London would be an example of a high order service.

As far as the entrepreneur who provides the service is concerned the more compact the market, the better. Hence new ventures may often start in urban areas where risks are relatively lower than the risks faced in serving a dispersed rural market (e.g. taxi firms or courier firms are much more likely to be found in urban areas). Some consumer services are also strongly controlled by **economies of scale**. The provision of a school, nursery, police station or medical centre may well mean a concentration of investment at an accessible centre with a relatively long journey for some consumers. Such has been the change typical of many rural settlements where rationalisation of resources has taken place.

Producer Service Location

In contrast, producer services do not reflect the pattern of population distribution. Because producer services provide for other industries the pattern of employment is a better guide to the distribution of producer industries. Many producer services involve detailed exchange of information, either face-to-face in discussions or by phone and fax. So, closeness to the decision making centres, or research centre, or government department can be advantageous for producer services. Therefore the south east of England, with its established multi-national business offices, government ministries and research establishments, plus its relatively good transport infrastructure is a favoured location. Other important centres tend to be found on the business parks of Motorway intersections, especially around major cities such as Birmingham, Manchester and Bristol.

The Importance of Information Technology

Changes in electronic communications throughout the 1990's have had a major impact on the way in which the tertiary sector operates. Increasingly, firms will use huge databases to store details of customers and/or details of the firm's goods and services. Links to the database at present may involve personal, telephone or fax contact with a keyboard operator but, as in the case of "hole-in-the-wall" cash machine customers can occasionally access a database directly. Huge stores rely on information technology systems to maintain the levels of stocks on shelves and organise the lorry loads of replenishments. Manufacturers keep close track of transactions from every stage from order to delivery. Without the benefits of rapid information handling it is questionable whether much of the expansion in tertiary activities could have taken place.

Case Study: Consumer financial services

Since 1980, three distinct groups have been merged to form the consumer financial services group, namely:

1. Life and General Insurance
2. Clearing banks
3. Building Societies.

This group illustrates a number of locational factors. The **clearing banks**, such as Natwest and Barclays maintain a presence near the Bank of England and the City Institutions (e.g. the Stock Exchange), clustered around Threadneedle Street and adjoining areas. Clearly this reflected the need for accurate up-to-the-minute information plus hints or warnings of impending changes in anything that might affect business when the institutions were established.

In contrast, **credit card management** has no requirement for this "face-to-face" contact and is a clear example of a footloose, office based service, with for example Access located in Northampton or Card Services located in Liverpool - since most bills and transactions are by post, phone or electronic communication there is no fixed locational requirement. Building Societies traditionally have had a physical presence in the well-established town centre (CBD), usually in an area where pedestrian movement is at a maximum, in order to attract (and serve) the maximum number of consumers. Clearly, as **Building Societies merge**, or are taken over, the number of offices is falling. Nevertheless their presence in the high street is in contrast to the location of clearing banks and credit card management centres.

Case Study: Retailing

A major feature of shops in recent years has been the decrease in the number of businesses overall, and an increase in the number of large businesses. Table 2.

Table 2. Retailers in the UK

	1950	1961	1971	1980	1986
No. of single shop businesses (000)	375	370	330	215	217
No. of businesses (000) with:					
50 shops and over	362	430	330	300	220
10-49 shops	1407	1470	940	960	636
No. of establishments (000) in business with:					
50 shops and over	53	66	60	55	48
10-49 shops	28	30	19	19	12
Percentage of sales in business with:					
50 shops and over	24	31	36	45	52
10-49 shops	12	9	8	8	8

The most obvious consequences of small shop decline have been the reduction of choice and availability in some areas. Not only have rural settlements experienced shop closures but traditional street corner shops in inner-city and suburban areas have declined. In most cases they have been undercut by the lower prices available at a large-scale operator, a car journey away - e.g. on a retail park, or an out-of-town site. Inevitably this undermines the business life of a city centre: shops relocate, close or adapt to a new market. In almost every town debate exists over the advantages of town centre sites (available to those without cars, in areas where several different types of shop are within walking distance) and out-of-town sites with easier parking, more modern environments and easier access (in theory). It is also true to say that in most towns and cities both types of site are still in use. Amongst a huge number of examples is the recent development of the Mall Retail Park at Cribbs Causeway, Bristol with access via the M5, M4, M48 and A38 to approximately 4 million consumers around the western end of the "M4 corridor". The key factor for high threshold retailing such as this, is accessibility by road for the car.

Conclusion

Tertiary activities have always been an important part of the economy. The wide range of services makes it very difficult to produce neat explanations of where industries are located. It is very important to be aware of the type of service industry involved and the interplay of factors such as accessibility, market, capital, labour and information technology.

Acknowledgements;

This Geo Factsheet was researched and written by John Prescott
Curriculum Press, Unit 305B, The Big Peg, 120 Vyse Street, Birmingham, B18 6NF
Geopress Factsheets may be copied free of charge by teaching staff or students, provided that their school is a registered subscriber.
No part of these Factsheets may be reproduced, stored in a retrieval system, or transmitted, in any other form or by any other means, without the prior permission of the publisher.
ISSN 1351-5136

Practice Question

Describe and explain the growth of tertiary industries since 1960 in Developed countries such as Britain and discuss the factors which influence the location of 'high threshold retailing'. (25 marks)

Answer

The question would have marks allocated for **describe**, **explain** and **discuss** which are the three command words. Assume the allocation of marks to be 15 for the growth of service industries and 10 marks for the discussion of location factors.

You would be awarded marks for:

- establishing the idea of growth since 1960, by giving details of service industries which have increased in output or employment (e.g. financial services or tourism);
- describing the change in balance between primary, secondary, tertiary and quaternary activities since 1960;
- describing the decline in employment in manufacturing and explaining about deindustrialisation freeing labour for the tertiary sector;
- describing and accounting for the increase in wealth of consumers since 1960 and the demands being placed for a wider range of services. A good strategy would be to take a case study of tourism and demonstrate the growth in jobs related to it;
- describing and accounting for the changes in technology which have both increased wealth and allowed the service sector to expand;
- describing the shift in patterns of leisure time and the changes in the structure of the labour force with the demands that modern service industry makes on labour.

The second part of the question would also best be answered in the time available with the help of a case study you had carried out, and revised in detail before the examination.

The 10 marks could be earned by:

- producing a clear annotated sketch map of a real hypermarket or Superstore location and using this as a typical example of the factors involved;
- describing the principles of range and threshold and applying them to your example;
- explaining the need for accessibility by car parking space, a modern environment and the advantage of (arguably) lower prices for consumers;
- explaining the influence of the population distribution and transport network;
- contrasting the advantages of the out-of-town site with the disadvantages of the town centre site.

In both sections of the essay, ensure that your quality of expression and grammar are of A Level standard. Try very hard to write a conclusion to restate what you have put forward (it need only be a sentence), and keep your focus firmly on the question set.