

Spotlight on the service sector

The last decade witnessed a tremendous expansion of the service industry in Asia. In many APO member countries, the contribution of the service sector to GDP is now sizable and employment generated by the sector increasing. The APO has identified this sector as an emerging area and organized numerous projects to maximize the benefits of productivity endeavors in it.

The APO study meeting on Expansion and Development of the Service Industry in Asia held in the Republic of Korea, 17–21 June, in collaboration with the Korea Productivity Center (KPC), was part of the APO's ongoing efforts to identify new issues and challenges related to the sector and recommend strategies and policies to address them. The meeting focused on three aspects of the service industry: trends in its expansion; challenges in productivity enhancement; and issues specific to the customer satisfaction index in relation to service.

Several hypotheses explaining trends in service-sector expansion were discussed. The traditional hypothesis states that as incomes grow, consumption shifts from goods to services, triggering the expansion of the sector. Another hypothesis argues that economic growth will inevitably slow as the service sector expands. However, several recent studies have indicated that this is not always the case. In many APO member countries overall productivity growth is driven by the service sector. A third hypothesis is that service outsourcing, IT development, and an increased rate of female participation in economic activity are causing the service sector to expand.

It therefore becomes obvious that each country should enhance its service-sector productivity to increase global competitiveness. However, devising effective strategies is a complex task mainly due to unique features associated with the sector including its diversity and variability. These attributes require productivity methodologies, tools, and techniques (PMTT) to be extensively customized for the service industry.

Equally important is determining how to measure the quality of service as a basis for improvement. Of the many tools devised, the customer satisfaction index has drawn attention from some member countries. "Customer satisfaction (CS) is a crucial goal for most organizations. Compared with agriculture or manufacturing, the service sector has to interact directly with a larger volume of customers; therefore, CS is becoming one of the important and interesting subject areas for this sector," explained KPC CS Management Center Director Hyung Beom Kim. Kim gave a detailed presentation on the National Customer Satisfaction Index (NCSI) of the Republic of Korea, a CS measurement tool developed by the KPC and modeled on the American Customer Satisfaction Index.



Aramark's business excellence strategies explained

In parallel with the study meeting on the service industry in Asia, the APO deputed a fact-finding mission to the USA, 16–20 June, to learn about productivity measurement in service-sector enterprises and the best service business practices. That mission was led by Chief Expert Dr. Toshiyuki Matsuura, Hitotsubashi University-cum-Research Institute of Economy, Trade and Industry with six national experts from member countries.

To study the issues in and new initiatives for measuring service productivity in the USA, the mission delegates visited the Brookings Institution and the US Bureau of Labor Statistics (BLS), both in Washington, DC. The Brookings Institution, an American nonprofit public policy organization, conducts independent socioeconomic research to provide innovative, practical recommendations. The BLS is the principal fact-finding agency of the US Federal Government in the broad field of labor economics and statistics. Dr. Matsuura, in his preliminary mission report, stated that, "In the case of the USA, the statistical system has recently made significant progress in improving the data available for the analysis of productivity in the service sector to adapt to new circumstances." He pointed out that progress had been made in two areas: first, increasing the coverage of data available for the service sector; and second, improving consistency among US statistical agencies.

The mission also visited two service companies, Aramark Ltd. in Philadelphia, PA, and PHH Arval Co., Ltd. in Sparks, MD, to observe their best practices. Aramark Ltd. is a world-class company offering a variety of services, with food services being the most well known. PHH Arval, a frequent recipient of business awards for service excellence, is North America's second-largest provider of commercial fleet management services and undertakes numerous environmental initiatives.

"These two projects, building on previous related ones, reconfirmed the unique features of the service sector and its potential for expansion. It also highlighted the future challenges in developing productivity measurement tools and PMTT," stated APO Secretariat Research and Planning Department Director Mukesh D. Bhattarai. "They also suggested that PMTT need to be customized and should be identified by regrouping various types of service into subsectors," he added. Ongoing research related to a productivity database and on PMTT for the service sector are underway based on subsectors. All these efforts are aimed at producing effective strategies and policy guidelines for the development of the service industry in APO member countries. 🔄



Touring the Grand Intercontinental Seoul, no. 1 in the hotel sector NCSI in 2006 and 2007