

The Entrepreneurial Mind

Lecture 2: Entrepreneurial Activities

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Lecture Learning Objectives:

At the end of the lecture, you will be able to:

1. Describe trading, manufacturing, and service as entrepreneurial activities.
2. Distinguish the different types of trading, manufacturing, and services.
3. Discuss specific examples of trading, manufacturing, and service activities.
4. Explain how the activities related to trading, manufacturing, and service businesses affect their success.
5. Recognize the importance of trading, manufacturing, and service in the economy.
6. Appreciate the value of creativity in manufacturing.
7. Form sound judgment in selecting the products to trade, products to manufacture, and services to render.
8. Appreciate the value of service business.

Trading

Entrepreneurs engage in various activities – some big, some small and others in between. Their activities could be trading, manufacturing or service business. They are supported by either the family members or members of the community as employees. Entrepreneurs are found not only in big cities but in small towns as well, catering to the needs of the people.

Types of Businesses

There are three types of entrepreneurial businesses. They are *trading, manufacturing, and service*.

Trading or merchandising is the buying of goods and selling the same without change in form. When goods are sold in small quantities, it is called **retailing**. When goods are sold in big quantities or in volume, it is called **wholesaling**. The process of buying and selling is also called **trading or merchandising**. A common example of retailing is the “sari-sari store”. Most retailing is done in retail stores. A retail store may be a :

1. Self-service retailer – example: supermarket
2. Limited-service retailer – example: dress store
3. Full-service retailer – example: cellphone store
4. Specialty store – example: PowerBooks
5. Department store – example: Robinsons
6. Supermarket – example: Walmart
7. Convenience store – example: 7-Eleven
8. Superstore – example: SM
9. Combination store – example: Mercury Drug
10. Hypermart – example: SM Hypermart
11. Discount store – example: P99 store

12. Factory outlet – example: Surplus Shop
13. Price clubs – example: Makro
14. Door-to-door seller or direct marketer – example: AVON
15. Vending machine – example: Coca-Cola
16. Seller by mail or telephone or TV

1. Trading

The most popular non-store trading is direct marketing. Many individuals start their taste of business by direct selling. The seller builds a personal and continuous relationship with buyers. Many times, the buyers are friends or relatives of the seller. The buyers find it difficult to refuse the offer of a friend or relative. The seller knows the need, capacity, and the temperament of the buyer. The seller knows to whom, when and where to make the offer. Direct selling activities usually start as a sideline which may eventually mature to full-time jobs and open up to other opportunities.

2. Manufacturing is the process of converting raw materials into finished products. The manufacturer buys the raw materials. He makes the raw materials to finished products by applying direct labor and factory overhead.

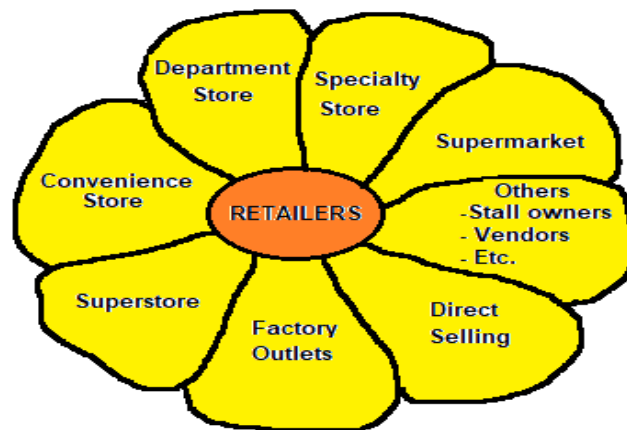
- **Raw Materials** are what you see in the completed product. For example: in shoes and handbags, the leather is the raw material. Paper is the raw material for books. Wood is the raw material for furniture.
- **Direct Labor** is the work on raw materials as it is converted into finished product. Direct labor is the work of the carpenter on the wood to convert wood to furniture. Direct labor is the work of the sewer when leather is made into handbags.
- **Factory overheads** are the resources needed or costs that need to be paid for in making products other than raw materials and direct labor. In the manufacture of handbags, some examples of factory overhead are the Meralco bills or electricity, the salary of the supervisors, the PLDT or phone bill, the rental of factory space, the water bill. Factory overhead refers to all costs in manufacturing other than raw materials and direct labor.

3. Service business is doing work for others. Examples of service businesses are beauty parlors, spas, barber shops, laundry shops, and repair shops. Medical, dental, accounting, legal and other services of professionals are also examples of service businesses.

The number one reason for doing business is to make profit. **Profit** is what is left after subtracting cost and expenses from the selling price. Profit is the excess of revenues over costs and expenses. However, when costs and expenses are higher than the selling price, the result is a **loss** instead of a **profit**. To make a profit, the seller sets a selling price that is more than the total **cost** and **overhead**. This is called **mark-up**. **Cost** is what is paid for the product purchased which is intended for resale or for manufacturing into another product. Overhead consists of all costs of business operations other than direct costs. **Direct costs** for retailing are the cost of the product purchased, for manufacturing, they are the cost of direct materials and direct labor and in a service, they are the direct costs of rendering the services.

Retailing is the selling of goods and services directly to the final consumers or users. The final consumer may be an individual person or a business unit. For example, the National Bookstore sells bond paper to students. It also sells bond paper to San Miguel Corporation. Both the students and San Miguel Corporation are end-users. Meralco sells electric power to the Cruz family and also to the University of the East. The Cruz family and the University of the East are end-users. Therefore, National Bookstore and Meralco are traders in the examples given. The sari-sari store in the street corner, the vendors of fish and vegetables in the wet market and the Nestle ice cream peddler are also examples of traders. It is also possible that a trader is both retailer and wholesaler at the same time. When National Bookstore sells bond paper to Don Bosco Book and Supplies Store, National Bookstore is called a **wholesaler**.

Trading may be done through retail stores or through mail, TV, telephone, door-to-door, vending machines or electronic means. **Store retailing** is the more common form of retailing. The store retailing may be self-service like in a department store or supermarket, or limited service like cellphone shop.



**Figure 2-1. Kinds of Retailers
(Banastao & Frias, 2022)**

1. **Department Store** carries a wide variety of product lines usually clothing, shoes, bags, beauty products, home furnishings, and household goods.
2. **Supermarkets** sell a variety of food and household products.
3. **Specialty Stores** carry a variety of models for one kind or limited product line. For example, a cellphone store carries brands like Nokia, Motorola, Samsung with different models of each brand.
4. **Convenience Stores** are stores that carry high turnover goods, twenty-four hours a day and seven days a week. Examples of convenience stores are 7-Eleven and Mini stop. The retail prices of convenience stores are usually higher than those of supermarkets.
5. **Superstores** which are larger than supermarkets and department stores have emerged. Examples of superstores are Uniwide, Makro, Price Smart, and Puregold.
6. **Factory Outlets** of different manufacturers are grouped together in one factory outlet mall. The outlets are located in places far from the cities. When the customer goes to the factory-outlet mall, he will have varied choices.

7. **Direct Selling** is one-on-one selling. One seller approaches a buyer. Many times, the buyers are friends or relatives of the seller.

In addition to the list above, there are also the market vendors who sell in clusters (tumpok), the ice cream vendor, the Taho vendor, the market stall sellers, the carinderia and many others.

Different Types of Trading Business

The different types of trading business are store trading and non-store trading. Store trading is classified as to:

A. Amount of service

1. Self-service
2. Limited service
3. Full service

B. Product line

1. Specialty store
2. Department store
3. Supermarket
4. Convenience store
5. Superstore
6. Combination store
7. Hypermarket
8. Service business

C. Retail prices

1. Discount store
2. Off-price retailer
3. Factory outlet
4. Independent off-price retailer
5. Warehouse club
6. Catalogue showroom

D. Control outlets

1. Chain store
2. Retailer cooperative
3. Franchise
4. Merchandising conglomerate

E. Type of store cluster

1. Central business district
2. Shopping center

Non-store retailing include:

- A. Direct marketing
1. Door-to-door retailing
 2. Automatic vending

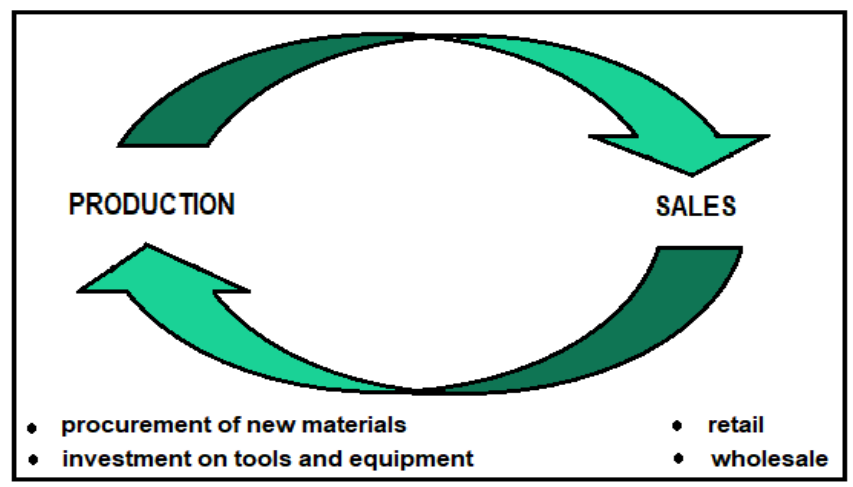
- B. Direct – mail marketing
- C. Catalogue marketing
- D. Telemarketing
- E. Television marketing
- F. Electronic marketing

Effects of Trading in Business

Trading cannot be avoided. Wherever you go, even in rich countries, people buy in retail. In retail business turnover of goods is fast, thus, money inflow is also fast. Imagine products on the shelves that have been standing there for about a week. Such products are occupying space and if your establishment is air-conditioned, you are, in effect, spending for the cooling of such products. Compare these with those products that stood only for a couple of hours on the shelves and then will need replenishment. It means shelf cost is very limited, and your cash drawer has plenty of cash.

What is the impact of Trading to Business?

Trading is the path whereby the inflow of cash from the buyers to the company passes. It is very important, considering the diagram below:



**Figure 2.2 Production and Sales Relationship
(Banastao & Frias, 2022)**

Products produced are sold either on retail or wholesale. From the sales revenue, the businessman procures raw materials again for his next production cycle and perhaps buy additional tools and equipment for the expansion. Thus, more products are produced and sold. If his products cannot be absorbed by one store only, he offers his products to other stores, thus operations expand and grow.

In a nutshell, the following are **the benefits of retailing**:

1. Retailing allows the **fast movement** of products. Product price is discounted if the buyer will buy several or in combination with other products to encourage customers to buy.
2. **It encourages people to buy more** by giving preferential benefits to customers. For example, increasing the number of quantities at the same price to valuable customers or promotions like “buy one, take one.”
3. **Enhances buyer-owner relationship**. This is because some sellers are very friendly and thus encourage people to buy from them every time they need the product.
4. **Low budget families would be able** to buy products in small quantities. For example, 1/2 kilo of sugar instead of one kilo.
5. **Retailing is the answer for small buyers** whose need is only for a couple of days for a small family. For example, a family of four will not buy five kilos of bananas for their one-week consumption.
6. **Retailing is a business strategy**. In grocery stores, slow moving products are packed with a toy to make the product saleable. Another strategy is the offering of credit cards to be able to move/sell goods or services.

Importance of Selling in the Economy

Selling is the transfer of goods and services from the producer to the customers and the transfer of money from the customer to the producer, as shown in the diagram below:



**Figure 2.3 Producer and Customer Relationship
(Banastao & Frias, 2022)**

Without the process of exchange for goods and services, the economy will not move. The figure above can be expanded as shown on the next page to indicate how the economy operates.

Technically, labor means “selling” one’s services to the business firms. Thus, your parents or relatives work with a company or operate their own business. In return, the business firms pay them for their effort in the form of salaries or wages or profits if they own the business. From the money that they receive, the households buy goods and services from the business firms and pay in cash or through credit cards.

Some of the income received by your parents and relatives are deposited in the bank. These are invested by the banks in business activities to earn interest.

The government is the regulatory body of the economy. Government funds spent on services are coming from taxes paid by the households and business firms.

Thus, selling is the primary factor that moves the economy. If people do not buy, products will not move. The business firms won’t have an income from sales, no business tax, no government service and so on.

While spending is important, equally important is saving. If you save in banks, your money is invested by the bank in profitable projects. Business firms can expand operations to provide more goods and services. But if you drop coins in your “**piggy bank**”, you are, in effect, withdrawing money from circulation. Such an act is called **hoarding** and is detrimental to economic development.

Words to Ponder: *He who buys what he doesn’t need must often sell what he does need.*

Manufacturing

Manufacturing Business

Many small-scale entrepreneurs convert local raw materials to finished products. These businesses are called **cottage industries**. The Philippine government, many years back, have motivated cottage industries by establishing the *National Cottage Industry Development Authority*, also called the **NACIDA**. Since the initial years of the NACIDA, many other incentives have been offered to Filipinos not only by the Philippine government but also by foreign governments like Canada and Japan.

When an entrepreneur decides to go into business, he has to consider several factors. Some of these are:

1. **Capital** – How much capital is available for tools, equipment, machines, raw materials, payment for wages, overhead and other expenses.
2. **Production space** – How big/small is the space? Where is it? Is it owned or leased? If leased, how much is the rent? What are the terms for leasing the property?
3. **Storage for materials and finished goods** – Is there a space for storing materials and finished goods?
4. **Labor costs and labor supply** – Is there a ready supply of qualified workers? What is the prevailing wage rate in the area?

5. **Factory overhead** – How much, more or less, would be the factory overhead given the cost of utilities like water and electricity and other costs?
6. **Cost of manufacturing** – If the cost of manufacturing would be higher than that of the competition, then perhaps manufacturing is not the right venture.
7. **Technology** – To produce a product, technology should be available.
8. **Availability of raw materials** – this is vital. No product will be produced without the materials.
9. **Competition** – As mentioned, if the producer will produce at a higher cost compared to his competitors, selling price will be high, causing a difficulty in moving the products.

However, in spite of the high financial and complex operational requirements of a manufacturing enterprise, many entrepreneurs venture into it because of the following reasons:

1. the desire to earn more.
2. low manufacturing cost
3. well-planned sales.

Generally, the cost of manufacturing a product is lower than the cost of purchasing a completely finished product. Sales can be well-planned, and maximum sales projections can be attained, since the business will not be dependent on outside suppliers for the goods it will sell. Thus, lower **cost-plus** unhampered selling operations can ultimately result in high net profit.

What is Manufacturing?

Manufacturing is the process of converting raw materials into finished products. The manufacturers buy the raw materials. He makes the raw materials into finished products by applying direct labor and factory overhead.

There are many kinds of manufacturers in the country. Some of these are:

- manufacturers of shoes/footwear specially in Liliw and Marikina
- canned goods manufacturers
- manufacturers of soap and toiletries
- manufacturers of food products
- manufacturers of garments or RTWs
- manufacturers of school and office supplies
- manufacturers of glasswares, silverwares and chinawares or kitchenwares

The above is a list of general classifications. For example, canned goods can be subdivided into:

- sardines
- canned fruits
- beverage – juices, soft drinks, etc.

Below is a diagram showing the flow of operations of a manufacturing concern.

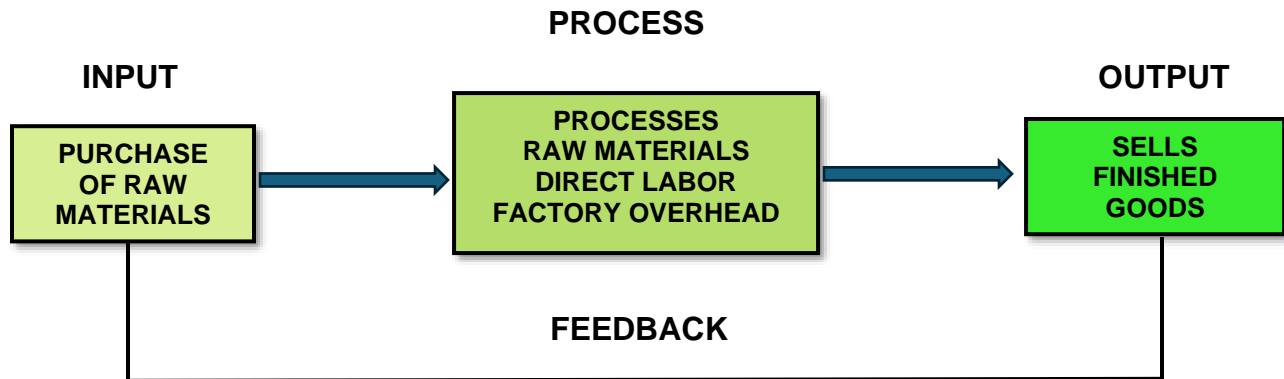


Figure 2-4. Manufacturing Process
(Banastao & Frias, 2022)

The manufacturing process can be either labor intensive meaning processing is done **manually** by the workers and capital-intensive meaning processing is done through the use of **machinery**. Many of the handicrafts sold in the department stores like the shell crafts and abaca products are produced via labor intensive process. The process used in the manufacturing of canned products, on the other hand, is capital intensive.

Role of Manufacturing in Economic Development

Aside from selling, manufacturing is the other dimension in economic development. No product will be sold without producing it. In the process of producing the products, exchange also takes place. Raw materials will have to be purchased, and labor will have to be paid plus all other expenses. Generally, manufacturing entails the following costs:

Manufacturing cost or production cost is the sum of the cost of direct materials, direct labor, and factory overhead. During the accounting period, that part of the manufacturing cost which represents work completed is transferred to the Finished Goods Inventory, whereas incomplete work remains in Work in Process.

The elements of manufacturing cost are:

1. **Direct Materials** pertain to all materials which form part of the finished product which can be measured and charged directly, and which can be identified as forming part of the product, such as leather to make bags and shoes, lumber to make tables and chairs.
2. **Direct Labor** is labor used in manufacturing a product which can be charged directly to that particular product. The wages paid to a carpenter making chairs in a furniture factory is an example of direct labor.

3. **Factory Overhead** refers to indirect elements of cost incurred to turn out a finished product which may be in the form of indirect materials, indirect labor, or other indirect expenses.

On the opposite side of the direct costs are the indirect costs, namely:

1. **Indirect Materials** are materials needed for the completion of the product but which consumption with regard to the product is either so small or allocation too complex that it will be inconvenient or too laborious to charge them directly to a particular unit of a product. Examples are nails, glue and sandpaper in the manufacture of furniture. These also include **factory supplies or physical goods** which are used in production as a whole and not for a particular unit of product like lubricants and oil for factory machinery, janitorial supplies and other items needed to keep the factory in a clean and safe condition.
2. **Indirect Labor** refers to human efforts used in the factory which cannot be identified as pertaining to a particular product. The cost of indirect labor includes salaries and wages paid to foremen, supervisors, janitors, timekeepers, and the like.
3. **Other Indirect Expenses** are expenses necessary for the production as a whole such as light and power, rental, insurance, taxes, etc.

Importance of Manufacturers

Manufacturers of products are important because of the following reasons:

1. considering the expenses and receipts of manufacturers, they contribute to the movement of the economy.
2. manufacturers provide the supply of products needed by the people like canned milk or powdered milk, clothes, bags, etc.
3. manufacturers provide employment and income to the households.
4. they pay taxes to the government which are used by the government to finance its projects and pay for salaries of government employees.

The salaries and wages received by the employees either in private business or in the government allow for another round of purchases, production and sales.

With production comes value or the money equivalent of the product. More goods produced increase the gross domestic product (GDP) and national income (NI). Fueled by money in the circular flow, the economy moves towards development.

Creativity in Manufacturing

The availability and the production of new products in the market can be attributed to manufacturing. Since **manufacturing** is the process of transforming raw materials into finished products, it allows for the creative talents of an individual/manufacturer to manifest. Many kinds of products in different designs owe its production to the creativity of manufacturers. Bags, for

example, come in different colors, sizes and shapes for different uses, occasions and even reasons.

Manufacturers need to be creative to meet the ever-changing demand of the customers.

How Can An Individual Be Creative?

Below are some tips to develop one's creative talents:

- ***Creativity is developed by being observant.***

Observe what people are wearing or using and try to improve it by way of function or ease of use. For example, many years ago, people used pens and ink. Thus, you have to carry a bottle of ink in your bag that could spill into all of your things in the bag. Hence, the very convenient ballpen with dry ink was introduced.

- ***Creativity is developed by imagination.***

Through imagination, toy manufacturers are able to introduce toys that move with the use of batteries, dolls whose eyes open and closed and many other different kinds of toys.

- ***Creativity is developed because of external conditions.***

Manufactured products change because of people's ***lifestyles***. For example, people are now very mobile. They move from one place to another, hence the introduction of small and portable products.

The ***economic conditions*** in the country also influence the manufacture of products from the expensive to affordable. For example, from pure leather to leatherette products.

The ***changing seasons*** also help develop one's creativity. From summer months come beach products like rubber slippers, swimsuits, sunglasses, beach bags, baskets, creams, etc. From the rainy seasons comes umbrellas, raincoats and jackets.

Why Should Manufacturers Be Creative?

Manufacturers need to be creative because of the following reasons:

- ***To be competitive.*** Manufacturers need to be creative to be competitive . If you do not introduce products that are different and affordable, sooner or later, you are going to be out of business.
- ***To meet the needs of customers.*** Customers are very choosy and fickle minded. They do not buy the same product for long. They want to try new things. Hence, manufacturers need to be creative.

Choosing the Product to Manufacture or Service to Offer

Manufacturing is an easy venture. Many of the products in the market, big or small, are manufactured from big or small factories whose operations are either simple or complex. You too can be a successful manufacturer considering the following:

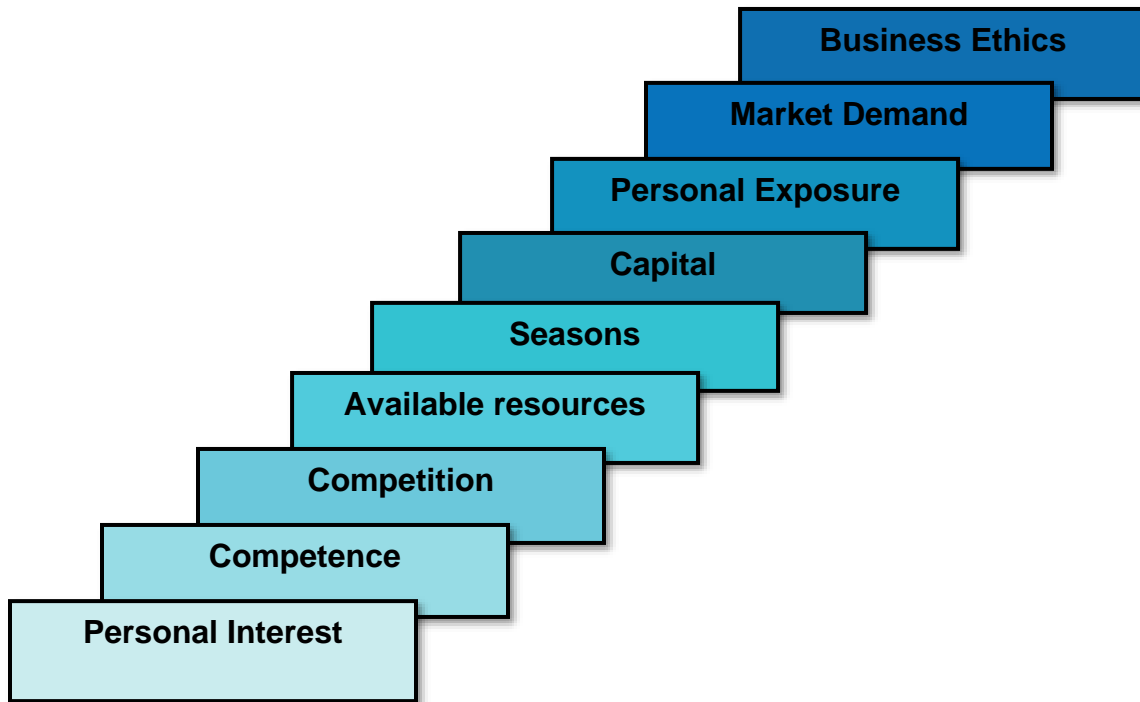


Figure 2-5. Elements in Choosing Products or Services to Offer
(Banastao & Frias, 2022)

- **Personal Interest.** Your interest will determine your success. If you love what you do, you will persevere in spite of the odds. Together with perseverance is patience; patience to finish whatever it is you are into.
- **Your competence.** Determine your competency. What are you good at? If you are good at baking, then put up a bakeshop. If you are good at cooking, then put up a cafeteria. If you are good at handicrafts, like making décor, then manufacture decors.
- **Competition.** Consider the realities of competition. If you love broiled chicken and your recipe is super good, you may say, “I will go and put up a *litsong manok* stand in front of our garage.” But wait, how many roasted chicken stands are there in your block or in your small subdivision? Or maybe right now, there are only two but because it is easy to put up this kind of business, soon a lot more will appear in your community. What you want to put up is charcoal-broiled chicken. This product can be easily substituted by fried chicken.
- **Available resources.** Your manufacturing operation is highly dependent on resources such as raw materials, machines, and labor. Without any of this, your operation will be affected very much. For example, abaca is available in the Bicol region, while shoemakers are found in Marikina.
- **Season.** Unless you receive an order for next year’s summer season, you do not manufacture swimsuits during the rainy season.
- **Capital.** The amount of capital needed to operate your manufacturing business will determine whether you have the capacity to establish it or not. While there are institutions

where you can borrow money for capital, this would require knowledge in the preparation of a feasibility study that will be evaluated by the bank. Based on the study, if the bank offers are convinced of the profitability of your project, the application for investment capital could be granted.

- **Personal exposure.** Usually, children of manufacturers become manufacturers or entrepreneurs themselves. This is because they learned the operations from their parents and/or grandparents. As they grow, the children take over the operations of the business.
- **Market demand.** Manufacture products that are in demand. Check market or industry figures to determine sales. If the sale potential of a product is good, chances are, the sales of the company will be increased.
- **Ethics in business.** This is important because many manufacturers nowadays cheat their customers by way of quality. Cheating will not do! Customers are protected by law. Cases can be filed in court. Products, wherever they are in the world, can be recalled causing immense losses.

Words to ponder: *Creativity should never STOP.*

Creating something useful is a legacy.

Service Business

The 20th century saw the introduction of new kinds of businesses such as the service type of business. Service businesses became more pronounced during our time – the 21st century – mainly because of the increase in population and family income. Improving economies allow people to have more money to spend and demand for comfort and style.

Family celebrations like weddings, anniversaries, birthdays, graduations, etc. that used to be held in houses with family members busy with the preparations and cooking, are now being held in hotels arranged by events managers. Toddlers whose parents are both working and could not be left with a nurse maid are brought to daycare centers in the morning and fetched in the afternoon.

What is a service business?

The service business is doing work for others. It is a kind of business that sells services. The service offered could be the service of a single individual, like the one who fixed your leaking faucet, to the sophisticated services of hotels and banks.

Concepts can now be sold! Your idea as to how a product should be marketed commands a price. Your artistic talent as to how a garden should look has also a tag price.

Below are some samples of business under the service sector:

Small business

- beauty parlors
- barber shops
- daycare centers
- pensione houses
- bakeshops
- dress shops

- restaurants or snack bars
- collection (bayad) centers
- flower shops
- car repair shops
- water stations

Large corporations

- banking and finance
- hotel and restaurant services
- schools
- entertainment
 - theme parks
 - movie houses
 - TV productions
- hospitals
- call centers
- transportation services
- bus companies
 - airlines
 - shipping lines

Professional services

- medical/dental services by doctors
- legal services by lawyers
- accounting services
- engineering services
- tutoring services by teachers
- services by architects

As mentioned, services command a price. But how do you put a price to your service? Below are some guides in pricing your service:

1. Consider the minimum wage as fixed by law.
2. Determine how long, more or less, it will take you to finish the job.
3. Find out your competitor's price.
4. Consider the risk involved.
5. Consider the paying capacity of your customers.
6. Consider the resources that you will put in, aside from your efforts. For example, thread, buttons, snaps, etc. in the case of a dress shop. Also you have to factor in your overhead costs like rent for the shop, electricity, water, etc.
7. Consider the simplicity or complexity of the job to be performed.

Benefits of Services Business

The easiest way towards becoming an entrepreneur is to render personal service to customers. Plumbers, for example, do home repairs and as the magnitude of the work becomes great, they hire people to work them as helpers. As these helpers learn the task, they too enter

into an agreement to work on plumbing projects, hence, knowledge and skills multiply, and more people become self-employed.

Observe the street food vendors selling noodles, *goto*, boiled eggs, bananaque and other street foods. As sales increase, more are encouraged to do the same business. Thus, they mushroom on the streets. Eventually, others put up a more presentable place for people to eat their snacks, which, looking beyond, means more people are hired and are provided with employment and income.

What are the Advantages of Establishing a Service Business?

Establishing a service business has many advantages. Some of these are:

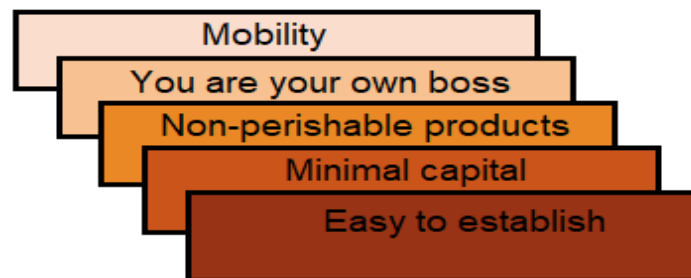


Figure 2-6. Advantages of Establishing a Service Business

(Banastao & Frias, 2022)

- **Easy to establish.** A service business is easy to establish. Documentation is simple. Some are not even registered with any government agency, like food catering and street food operators, hence the term “underground economy”. People are self-employed doing business that, although not against the law, are being apprehended by law enforcers.
- **It requires minimum capital.** The capital requirement in establishing a service business is very minimal. For example, to start a beauty parlor, all you need is a small space with a mirror, chair, and tools for hair trimming. As your business grows, additional tools can be purchased.
- **Services are non-perishable.** Services, unlike fruits and vegetables, are not perishable. Therefore. You do not need a space to store them and there is no risk of spoilage.
- **You are your own boss.** As a service entrepreneur, you are expected to guide the employees of your organization to eliminate customer complaints. You call the shots and to you belongs the profits.
- **Mobility.** Service is a very mobile business. You offer your business anywhere using a minimum of equipment/tools/machines. For example, your business is coordinating events. The tools/equipment needed are only communication gadgets and probably a video camera. The added advantage is you get to enjoy the party.

Community-Oriented Business

Numerous services businesses are community-oriented, such as:

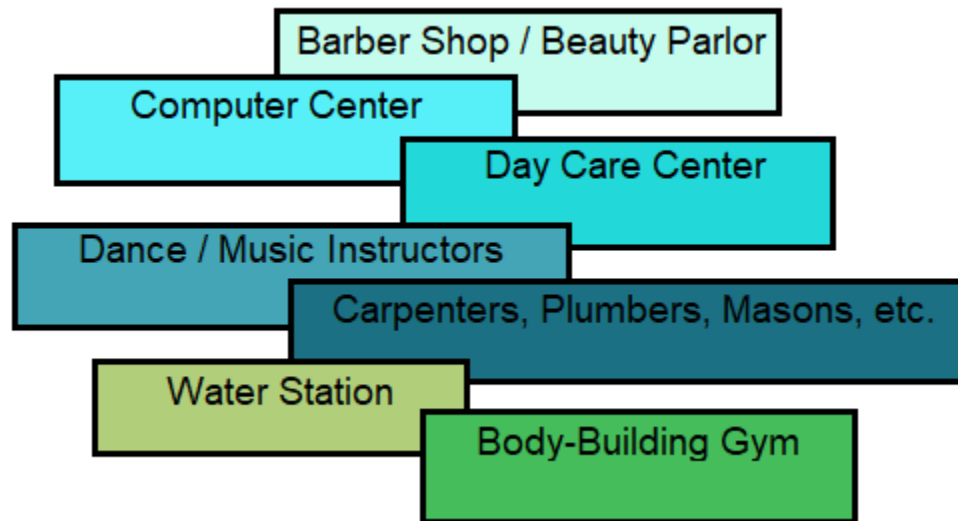


Figure 2-7. Community-Oriented Business
(Banastao & Frias, 2022)

- **A body-building gym.** The beauty of this type of service business is that you encourage people to keep themselves trim and physically fit. Once engrossed in this type of activity, the youth are driven away from drugs, liquor, gambling and other bad influences in the community.
- **Water station.** Providing clean water to the community is a noble undertaking. This business allows people to have a supply of clean drinking water.
- **Services offered by carpenters, plumbers, masons, etc.** These people help in fixing parts of the houses or communities that need repair. You will need a carpenter to fix your ceiling and you will need a mason to put up a concrete fence. If people in the community will allow houses and fences to rot, you can just imagine how a community will look.
- **Dance and music instructors.** These people also do their share in having a pleasant community. Groups can be arranged so that the instructor visits them on a certain time and place for lessons. The exercise will strengthen the relationship in the community. Again, the youth's attention is focused into something worthwhile, and tension is eliminated in the neighborhood.
- **Daycare centers.** Centers for babies and toddlers are now flourishing especially in exclusive villages where parents are both working and do not want to risk leaving the child with a nanny.
- **Computer centers.** Many families do not own a computer, but the children have school assignments to work on, hence, this kind of business is also becoming a common sight in the community.

- **Barber shops / Beauty parlors.** These businesses are also very dominant in communities. Their peak season is during fiestas, school openings, Christmas season, graduation in schools and other occasions.

Importance of Service in the Economy

As explained in the previous topic, the economy moves through the process of exchange, while manufacturers exchange products for money, service business exchange service for money. Both sectors are helping the economy move through the exchange of goods and services. If we stop one and depend on the other only, the economy will weaken because without employment, income will fall. Considering the multiplier effect, this will result to the vicious cycle poverty which is the people of the vicious cycle of prosperity, to wit:

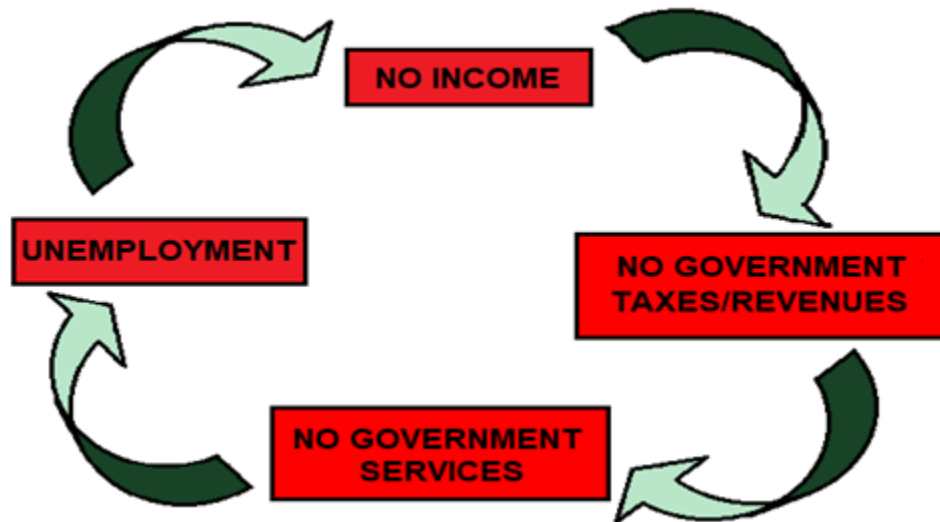


Figure 2-8. Vicious Cycle of Poverty
(Banastao & Frias, 2022)

Poverty is experienced when people are unemployed because they do not have the money to buy things that they need. This would filter down to the sellers who will not have an income also because there are no buyers. Taxes paid to the government are based on income, thus, if people are not earning an income, then no taxes will be paid. If the government does not have money, therefore, people cannot expect government services like public education, the building of roads and bridges, the service of public hospitals and health centers, social welfare, and many others.

Services are important because of the following basic reasons:

1. **It helps move the economy.** Like manufacturing, service is a contributor in moving the economy. It allows people to have jobs and earn an income so that they can participate in the exchange process. Moreover, manufacturers need to sell their products. Thus, services like brokerage companies (people who transport products from the factory to the shipping lines), shipping (companies that move products from one point to another), service deliveries, trucking companies, wholesalers, retailers, communication services and many others. Indeed, the impact is great. Everybody contributes in the whole economic mechanism.

2. ***It makes life not only pleasant but also comfortable.*** Consider the services of the garbage collectors, the street sweepers, the laundry stations and the personal service providers like barbers, taxi drivers. Without them life would be, perhaps, unbearable.
3. ***It makes products available.*** Products become within people's reach because of services like delivery of snack foods, and mail to order goods. Products from other countries are available in another country because of shipping and airline services.
4. ***It allows people to travel and communicate with each other.*** In addition to the shipping and airline services the services come from travel agencies, hotels, restaurants, resorts entertainment services, communications services, and others.

Service – Manner of Delivery

Service may be delivered by people or by machines. They are consumed by the customer as they are produced by the server. A doctor treats a patient, a teacher teaches a student, a lawyer counsels a client. A viewer sees a movie, a passenger rides a taxi, a caller uses the telephone line. Some services are delivered by machines. An example is the ATM or automatic teller machine. Another example is mail delivered by the postman; E-mail is delivered through computer system. Academic courses are taught with face-to-face contact between students and teachers or professors or they may be learned through distance education by using the internet or the E-mail system. Fast-food may be bought “dine in” or “to go” or “home delivered” or “office delivered”. Psychological counselling may be face-to-face, or it may be by phone.

Services – Types of Organization

Services may be provided by profit or nonprofit organizations (NPO). There are schools that are nonprofit organizations and there are also those that are for profit. There are hospitals that are organized for profit and there are also those that are NPO's. Most television stations are for profit, and there are also those that are non-profit. Most loan grantors are for profit but there are also those that are non-profit. Even individual service providers allot time for free services. Some doctors provide free medical service in their parish churches on specific days in a week, lawyers provide free legal assistance, teachers teach for free to prisoners at the national penitentiary, retired business executive serve like “big brothers” to small businesses. To these people, free service to others is their way of giving back to the community or sharing with those in need what they are receiving or have received in material income. They get psychological rewards from their outreach activities.

Services – Sponsoring Organizations

There are many organizations providing services to the public. Aside from the providers mentioned in the preceding section, some organizations are formed mainly to sponsor or serve other organizations or to serve their members. In the area of commerce and industry they are, among others:

The Philippine Chamber of Commerce and Industry
The European Commission
The American Chamber of Commerce
The Japan International Cooperation Agency
The Philippine Business for Social Progress
The US Commercial Service

In the group of professionals they are, among others:

The Philippine Medical Association (PMA)
The Philippine Institute of Certified Public Accountants (PICPA)
The Philippine Association of Medical Technologies (PAMeT)
The Philippine Institute of Architects (PIA)

In the area of social services, they are, among others:

The Association of Congressional Spouses
The “Gawad Kalinga”
The CARITAS
The Philippine National Red Cross
The “Bantay Bata” Foundation

From the group of international organizations, they are, among others:

The United Nations Development Programme (UNDP)
The United Nations Education, Social and Cultural Organization (UNESCO)
The World Health Organization (WHO)

Words to Ponder: “*Services given with love is the best service*”.
“*There is no substitute for quality service*”.

Reference:

**Entrepreneurship, Cristina B. Banastao and Solita A. Frias, Unlimited Books
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