

*Journal of Business Strategies*  
**Special Issue on Services  
in the Next Millennium**

---

**INTRODUCTION BY GUEST EDITORS**

---

*James A. Fitzsimmons*  
*Mona J. Fitzsimmons*

**University of Texas at Austin  
Austin, TX**

Services play a central role in the economies of nations and world commerce. No economy can function without the infrastructure that services provide in the form of education, health care, transportation, and communications. Most of the world's economies have followed similar patterns of development; they have evolved through stages characterized first by subsistence living, then by agrarian activities, and by industrialization. Evolution through these three stages could be measured in hundreds and thousands of years. In the 1970s and 1980s, however, evolution could be measured in decades as most industrialized economies moved into a postindustrial period. During this time, the majority of the populations in postindustrial economies became employed in service activities. The decade of the 1990s saw such rapid development of the information age in most nations that, at the birth of the 21st century, we are already anticipating another new economic paradigm — an “experience” economy. We have recognized for a long time that the economic activity of a society determines the nature of how people live and how the standard of living is measured.

As Table 1 shows, the service sector today accounts for more than 80 percent of total employment in the United States, and continues a trend that began more than one century ago. The importance of the service sector is undisputed when viewed as a source of employment for other industrialized nations, also. Table 1 contains some surprises, such as finding that Canada, which is known for its mining industry, is high on the list and that China's economy is becoming much more sophisticated. We see that even in modern industrial economies, the majority of jobs are in the service sector. Just as farming jobs migrated to manufacturing in the nineteenth century under the driving force of labor-saving technology, manufacturing jobs in due time migrated to services. Global economic development, however, is progressing in unanticipated directions and successful industrial economies are built on a strong service sector.

As we begin the new millennium of the 21st century, the emerging experience economy raises expectations for services. Services are undergoing a transformation from the traditional concept of a service transaction to one of an experience.

Experiences create added value by engaging and connecting with the customer in a personal and memorable way. Characteristics of a service experience include "staging" the service instead of just delivering it, treating the customer as a guest, and connecting with the customer in a memorable way.

Since about 1998 the Internet has provided a channel for service delivery that offers a completely different way of doing business, but it is much too early to judge the impact of online services on traditional services. Many people fear that Internet services will drive traditional retailers out of business, for example, but forecasters doubt this will happen. Table 2 examines the differences between the virtual services offered on the Internet and the experiences offered by traditional services.

**Table 1**  
**Percent employment in service jobs for selected nations, 1980-1999**

Country	1980	1987	1993	1999
United States	67.1	71.0	74.3	80.4
Canada	67.2	70.8	74.8	73.9
Japan	54.5	58.1	59.9	72.4
France	56.9	63.6	66.4	70.8
Israel	63.3	66.0	68.0	70.7
Italy	48.7	57.7	60.2	61.1
China	13.1	17.8	21.2	26.4

*Source: 1999 Statistical Yearbook, Department of International Economic and Social Affairs Statistical Office, United Nations, New York, 1999.*

**Table 2**  
**Virtual and Experience Service Comparison**

Features	Virtual Service	Experience Service
Service Encounter	Screen-to-face	Face-to-face
Availability	Anytime	Normal working hours
Access	From home	Physically visit location
Market Area	Worldwide market	Local market
Ambiance	Electronic interface	Physical environment
Competitive Differentiation	Convenience	Personalization
Privacy	Anonymity	Social interaction

Virtual services delivered over the World Wide Web are truly global in their reach. Table 2 illustrates the dichotomy in service design represented by the physical-versus-electronic presence of the customer in the system. Technology in both cases has been the driving force for change. Advances in our understanding of the physical world contributed to the transition from preindustrial to industrial economies. Today

we find information technology is central to the development of our new experience economy.

Virtual services also differ from experiential services in the extent to which customer contact, customization, interaction, and technology can be used to deliver the service effectively. Virtual-service offerings are composed of online interactive service dimensions and offline noninteractive service dimensions. The online service dimensions involve the customer's actual contact with the service system, and offline elements involve knowledge workers and the logistics operations of the system.

Customization of virtual services can take place both during online customer interactions, and through offline back-office processes that are separated from the customer. Online customization might use technologies, such as video-conferencing systems and other technologies that connect directly to online operations. Labor and technology are both used for offline customization.

The authors in this special issue addressed some of the issues facing those who manage services in this new century.

**James A. Fitzsimmons** is the William H. Seay Centennial Professor of Business in The University of Texas Graduate School of Business. He received his Ph.D. with distinction in operations management from the University of California, Los Angeles, and joined The University of Texas at Austin in 1971. He coauthored *Service Management: Operations, Strategy and Information Technology*. He has published numerous articles in academic and professional journals and is active in his profession, serving as area editor of *Production and Operations Management* and associate editor of *Journal of Operations Management*. He also serves on the editorial boards of the *International Journal of Service Industry Management* and *Journal of Service Research*. He is secretary of the Production and Operations Management Society, former at-large vice president of the Decisions Sciences Institute, and former treasurer of the Operations Management Association.

**Mona J. Fitzsimmons** holds an undergraduate degree in journalism from the University of Michigan and has done graduate work in geology at California State University, Northridge, and The University of Texas at Austin. She has worked as a news reporter and as a writer and editor for Encyclopedia Britannica Education Corporation. She has also written and edited for business and professional journals and coauthored two editions of a service management textbook.

**Editor's Note:** Two reviewers deserve special recognition for their contribution to this special issue of *JBS*: **Mousumi Bhattacharya** (Syracuse University) and **David P. Paul III** (Old Dominion University/Monmouth University). Their thoughtful critiques of the manuscripts submitted for consideration enhanced the selection and editing of the articles that appear in this special issue on services.