

PRESENTATION

The service sector accounts for about 70% of Gross Domestic Product (GDP) of the economies and employment in general. This participation tends to increase with levels of economic development, the spread of new technologies and participation in international agreements on services trade (Ostrom et al., 2010).

Services are being increasingly delivered using Information and Communication Technologies (ICTs) which allow customers and providers more flexibility. Delivery of services – including advisory services, distance education, diagnostic medicine, financial services (ATMs and online services), and tourism (reservations on-line) – can now take place over long distances (Schumann, Wunderlich, & Wangenheim, 2012). For businesses, the use of ICTs in services reduces cost while further facilitating co-production and innovation between customers and suppliers.

A new technological paradigm, referred to as the Internet of Things (IoT), based on a globally interconnected network of computers and devices, is also spreading rapidly. This transformation of business processes and the provision of new services will provide significant productivity and competitiveness gains. Examples include the shared use of homes and vehicles, and IT infrastructure architectures “in the cloud”. This is also referred to as the servitization or Product Service Systems (PSS) (Vandermerwe & Rada, 1988; Oliva & Kallenberg, 2003; Baines et al., 2007). New types of services and customized products increase profit margins and customer loyalty, as well as services innovation and new business models (Kavadias et al., 2016).

Service delivery through ICTs may increase competition and reduce traditional geographical boundaries that previously limited many service providers. Nevertheless, geographical closeness to customers remains important for some high-value added services. At the same time, the increasing technological content and automation of services may reduce employment, similar to the impact of robotization in manufacturing.



The above trends and innovations are particularly important in education, health care, and other public services in order to contain their rapidly increasing cost and to promote the technological catch up in these sectors in countries in the region. Moreover, innovation in public services plays an important role in further developing the national innovation systems.

The role of services in international trade is much bigger than traditionally thought. According to the recently published trade in value added (TiVA) statistics of the OECD and WTO, services account for almost 50% of total trade in goods and services instead of 24% according to traditional trade statistics in gross values. This larger role stems from the fact that many services are traded indirectly through their incorporation in goods exports. The service sector's large role in international trade is also reflected by their presence in recent trade negotiations (CETA, TTP, TTIP, and TISA), even several of these are hampered or interrupted mostly by the current government in the United States.

Above trends are presenting many new challenges for countries in Latin America. Most services in the region, and developing economies in general, are characterized by low productivity, high informality, and low internationalization. The service sector in the region has a much lower technological content than that in advanced countries, which reduces the potential for productivity growth, cost reduction and internationalization. Moreover, the study of trade in services is relatively under-developed in the region, compared to trade in goods. In particular, relatively few studies have been done on the participation of services in global value chains (GVCs). This is due in part to the lack of data by destination and origin of services for developing economies. The underdeveloped statistics on the service economy and trade in general hamper a better design of public-private policies. Nevertheless, the number of case studies on these issues is increasing, in part, because statistics are gradually improving.

This Dossier on Service Research is based on the fifth Latin American Network for Research on Services (Redlas) conference, organized by Universidade Presbiteriana Mackenzie (UPM). The conference aimed to discuss the main trends, challenges, and opportunities provided by ICTs technologies and international trade for Latin America.

Redlas is a community of academics and specialists actively involved in services research and policy-making. Members come from a wide range of academic backgrounds (Business Administration, Economics, Geography, Political Science, and Sociology). Most of them are based at universities



or research institutions, while others work in government, international organizations or private sectors. Redlas has organized six conferences throughout the region: Brazil (2010), Chile (2012), Mexico (2014), Uruguay (2015), Brazil (2016) and Costa Rica (2017). Redlas is an Association with legal standing in Chile and is supported by the European Association for Research on Services (Reser).¹

This dossier presents some of the best articles presented at this Conference, which all deal with different roles of services in economic development. Their focus is both macroeconomic, dealing with the effects of the sector in international trade, in particular the export of Natural Resource Intensive Goods (NRIGs) (Vaillant; Gilles, 2017) and knowledge-based services (KBS) (Gayá, 2017), and microeconomic, focusing on the development of competencies and value creation (Bematech's case).

Santacruz Pedro Banacluche Sánchez's paper on "Intra-regional trade in services in South America: an input-output approach" demonstrates the importance of the services sector for the in value aggregation of exports, especially information services. Romina Gayá's paper "Strengthening Knowledge Based Services in Argentina" emphasizes the role of knowledge based services not only to promote exports but also the development of the domestic economy. However, as the second author points out, there are still major challenges for the development of the sector, such as human capital formation, services provisions in trade agreements, double taxation agreements, and development of indirect exports through their incorporation in goods exports.

An emblematic example of the importance of Knowledge Based Services for the creation of comparative advantages can be found in the paper "Innovation in the business model from the perspective of dynamic capabilities: Bematech's case". Reviewing the literature on business models and dynamic capabilities, the authors discuss how companies manage to remain competitive from a constant search and exploration of new business opportunities.

The role of services in economic development is fundamental, including for the export of Natural Resource Intensive Goods (NRIGs), in which Latin America has a comparative advantage. In "Incorporation of services in natural resource-intensive goods: description and measurement", Marcel Vaillant and Enrique Gilles show the importance of different types of services for the exports of commodities, including logistics, transportation,

¹ Available at www.reser.net.

and communications. These services spread technical progress, increase product diversification and improve the quality of employment in those sectors.

Enjoy the reading,

Dimária Silva e Meirelles,
Eduardo Raupp de Vargas, and
Nanno Mulder (ECLAC)
Invited editors

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