Key Issues

• Where are services distributed?
• Where are consumer services distributed?
• Where are business services distributed?
• Why do services cluster in settlements?
Learning Outcomes

• 12.1.1: Describe the three types of services and changing numbers of types of jobs.

• 12.2.1: Explain the concepts of market area, range, and threshold.

• 12.2.2: Explain the distribution of different-sized settlements.

• 12.2.3: Explain how to use threshold and range to find the optimal location for a service.

• 12.2.4: Understand the role of periodic markets in the provision of services in developing countries.
Learning Outcomes

• 12.3.1: Describe the factors that are used to identify global cities.
• 12.3.2: Explain the two types of business services in developing countries.
• 12.3.3: Explain the concept of economic base.
• 12.4.1: Describe the difference between clustered and dispersed rural settlements.
• 12.4.2: Explain the types of services in early settlements.
Learning Outcomes

• 12.4.3: Identify important prehistoric, ancient, and medieval urban settlements.
• 12.4.4: Explain the two dimensions of urbanization.
Where Are Services Distributed?

• Three Types of Services
  1. Consumer Services
     • Principal purpose is to provide services to individual consumers who desire them and can afford to pay for them.
     • Constitutes nearly ½ of all jobs in the U.S.
     • Subdivided into four main types of consumer services:
       1. Retail and Wholesale Services
       2. Education Services
       3. Health and Social Services
       4. Leisure and Hospitality
Where Are Services Distributed?

• Three Types of Services
  2. Business Services
     • Principal purpose is to facilitate other businesses.
     • Constitutes ⅛ of all jobs in the U.S.
     • Subdivided into three main types of business services:
       1. Professional Services
       2. Financial Services
       3. Transportation Services
• Three Types of Services

3. Public Services

• Purpose is to provide security and protection for citizens and businesses.

• Constitutes about 5% of all jobs in the U.S.
  – Workers divided among various levels of government.
    » Federal Government: 1/6 of public sector employees
    » State Government: ¼ of public sector employees
    » Local Government: 3/5 of public sector employees
Where Are Services Distributed?

• Rising and Falling Service Employment
  – Service sector of the economy has seen nearly all the growth in employment worldwide.
  – Service sector has also been most negatively impacted by the recession.

• Change in Number of Employees
  – Within business services, jobs expanded most rapidly in professional services e.g. engineering, management, and law.
  – Within consumer services, fastest increase has been in provision of health care.
Where Are Consumer Services Distributed?

• Geographers use *central place theory* to help explain why consumers services follow a regular pattern based on size of settlements, with larger settlements offering not only more consumer services but also more specialized ones.
  – Geographer Walter Christaller proposed the concept of a central place in the 1930s.
Where Are Consumer Services Distributed?

• Market Area of A Service
  – A *central place* is a market center for the exchange of goods and services by people attracted from the surrounding area.
    • Its is centrally located to maximize accessibility.
  – A *market area*, or *hinterland*, is the area surrounding a service from which customers are attracted.
Where Are Consumer Services Distributed?

• Range and Threshold of a Market Area
  – The *range* of a service is the maximum distance people are willing to travel to use it.
    • People travel short distances for everyday services. e.g. groceries and movie rentals
    • People travel greater distances for services offered exclusively in specific places. e.g. concerts and professional sporting events
  – The *threshold* of a service is the minimum number of people needed to support the service.
    • Service providers determine the suitability of a service center by overlaying the range of potential customers to its threshold.
Where Are Consumer Services Distributed?

• Hierarchy of Consumer Services
  – Only consumer services that have small thresholds, short ranges, and small market areas are found in small settlement.
  – Larger settlements provide consumer services that have larger thresholds, ranges, and market areas.
  – Developed countries have numerous small settlements with small thresholds and ranges and far fewer large settlements with large thresholds and ranges.
Where Are Consumer Services Distributed?

• Nesting of Services and Settlements
  – Central place theory posits that market areas across a developed country would be shaped as a series of hexagons of various sizes, unless interrupted by physical features.
  – Four different levels of market area exist:
    1. Hamlet (smallest)
    2. Village
    3. Town
    4. City (largest)
Where Are Consumer Services Distributed?

• **Rank-Size Distribution of Settlements**
  – Ranking settlements from largest to smallest in many developed countries produces a regular pattern or hierarchy.
  – *Rank-size rule* states that the country’s *n*th-largest settlement is $1/n$ the population of the largest settlement.
    • Plotting populations on logarithmic paper produces a straight line.
  – Exceptions include the presence of a *primate city*—a city more than twice the population of the second-ranking settlement.
Where Are Consumer Services Distributed?

• Market Area Analysis
  – Service providers believe that the location of a business is the most important factor to its profitability.
  – Steps to Determine Profitability of a Location
    1. Compute the Range
       – Survey local residents about willingness to travel a specific amount of time to the potential site of a new store.
    2. Compute the Threshold
       – Identify how many patrons are needed to meet expenses.
    3. Draw the Market Area
       – Draw the range around potential location of new store, then identify whether or not the threshold is met within that radius.
• Market Area Analysis
  – The *gravity model* predicts that the optimal location of a service is directly related to the number of people in the area and inversely related the distance people must travel to access it.
  
  • Essentially, the best location will be the one that minimizes travel for all potential customers.
Where Are Business Services Distributed?

• Hierarchy of Business Services
  – All urban settlements provide consumer services, but not every settlement of a given size has the same number and types of business services.
  – Urban settlements tend to specialize in one or a few specific business services.
  – Geographers distinguish four levels of urban settlements according to their importance as business services providers.
Where Are Business Services Distributed?

- Hierarchy of Business Services
  - Business Services in Global Cities
    - *Global cities* or *world cities* are at the top of the urban settlement hierarchy.
      - Center of the flow of information and capital in the global economy.
      - Location of countless large corporations’ headquarters.
      - Global cities area divided into three levels: alpha, beta, and gamma, which, in turn, are further subdivided based on economic, political, cultural, and infrastructure factors.
        » Examples – alpha++ (New York) and alpha+ (Chicago)
Where Are Business Services Distributed?

• Business Services in Developing Countries
  – Some businesses locate in developing countries, because they tend to offer supportive laws, weak regulations, and low-wage workers.
  – Primarily there are two main types of business services offered in developing countries.
    1. Offshore Financial Services
       – Taxes
         » Tax breaks include little to no taxes on income, profits, and capital gains.
       – Privacy
         » Bank secrecy laws can help individuals and businesses evade disclosure in their home countries.
Where Are Business Services Distributed?

• Business Services in Developing Countries
  – Primarily there are two main types of business services offered in developing countries cont’d.
    2. Business-Processing Outsourcing
      – *Back-office* functions, such as insurance claims processing, payroll management, transcription work, and other routine clerical activities, can be performed at a lower cost, if they are performed by workers in developing countries.
        » Developing countries with a large labor force fluent in English are relatively more attractive to firms seeking a place to outsource some of their routine work.
Where Are Business Services Distributed?

- **Economic Base of Settlements**
  - A settlement’s distinctive economic structure derives from its *basic industries*, which export primarily to consumers outside the settlement.
  - *Nonbasic industries* are enterprises whose customers live in the same community—essentially, consumer services.
  - A community's unique collection of basic industries defines its *economic base*.
    - Economic base of a postindustrial society, such as the U.S., are in business, consumer, or public services.
      - Ex. Computing and data processing services: Boston
Why Do Services Cluster in Settlements?

• Services in Rural Settlements
  – Rural settlements tend to take one of two forms.
    1. A clustered rural settlement is an agricultural-based community in which a number of families live in close proximity to each other, with fields surrounding the collection of houses and farm buildings.
       – Typically include homes, barns, tool sheds, and consumer services, such as religious structures, schools, and shops.
    2. A dispersed rural settlement, typical of the North American rural landscape, is characterized by farmers living on individual farms isolated from neighbors.
Why Do Services Cluster in Settlements?

• Services in Rural Settlements
  – Services in Early Settlements
    • Early Consumer Services
      – Places to bury the dead
      – Religious leaders stationed at burial sites to perform service of saying prayers for the deceased.
        » Likely encouraged the building of more permanent structures for ceremonies and dwellings.
      – Manufacturing centers
    • Early Public Services
      – Primarily tasked with offering protection to everyone in the settlement.
        » Walls built around settlements for protection.
        » Defenders (soldiers)
Why Do Services Cluster in Settlements?

• Services in Rural Settlements
  – Services in Early Settlements (cont’d)
    • Early Business Services
      – Settlement served as a neutral ground where several groups could safely come together to trade goods and services.
      – Officials in the settlement provided producer services.
        » Regulating the terms of transactions
        » Setting fair prices
        » Keeping records
        » Creating a currency system
Why Do Services Cluster in Settlements?

• Urbanization
  – Earliest Urban Settlements
    • Prehistoric Urban Settlements
      – Earliest urban settlements were probably in the Fertile Crescent of Southwest Asia and North Africa.
      – Among the oldest is Ur in Mesopotamia (present-day Iraq)
Why Do Services Cluster in Settlements?

• Urbanization
  – Earliest Urban Settlements Cont’d.
    • Ancient Urban Settlements
      – Settlements first established in eastern Mediterranean about 2,500 B.C.
        » Knossos (on the island of Crete)
        » Troy (in Asia Minor- [Turkey])
        » Mycenae (in Greece)
      – Aforementioned urban settlements were primarily trading centers and organized into city-states- independent self-governing communities that included the settlement and nearby countryside.
        » Athens was the largest city-state in Greece
        » Rome was believed to have grown to a population between 250,000 and 1 million.
Why Do Services Cluster in Settlements?

• Urbanization
  – Earliest Urban Settlements Cont’d.
    • Medieval Urban Settlements
      – Dense network of small market towns serving the needs of particular lords covered much of Europe.
      – Largest medieval European settlements served as power centers for the lords, church leaders, and as major market centers.
      – Tallest and most elaborate structures were usually churches.
      – Usually surrounded by walls.
Why Do Services Cluster in Settlements?

• Urbanization
  – Rapid Growth of Urban Settlements
    • The process by which the population of urban settlements grows, known as *urbanization*, has two dimensions.
      1. An increase in the *number* of people living in urban settlements.
         » Developing countries have 8 of the 10 most populous cities.
      2. An increase in the *percentage* of people living in urban settlements.
         » Percentage of people living in the urban settlements has increased from 3% in 1800 to 6% in 1850, 14% in 1900, 30% in 1950, and 47% in 2000.
         » Developed Countries: ¾ of population is urbanized.
         » Developing Countries: 2/5 of population is urbanized.
Summary

- Most jobs are in the service sector, especially in developed countries.
- Consumer services generally follow a regular pattern, based on size of settlements.
- Business services disproportionately cluster in a handful of urban settlements.
- Services cluster in both rural and urban settlements as a function of market areas, ranges, and thresholds, which are integral to central place theory.