



When is a chair not a chair?

Answer: when it's a service. Let's rethink our old-fashioned preoccupations about the manufacturing and service economies



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What is a chair? The human brain likes clear distinctions. Faced with a continuous flow of information the only way it can cope, and make sense of it all, is to categorise. The process of understanding usually begins by categorising the polar opposites – white or black, big or small. The real world rarely conforms to these extremes. There are two, often complementary, ways of dealing with messy reality. First, you can view things as a combination of the two extremes, and categorise on a principle of majority – such and such is more black than white, hence consider it to be black, for example. Second, you can create hybrid classifications, like grey. Armed with these categories you can then go about the tiring task of understanding.

Misunderstanding usually stems from incorrect categorising.

Misunderstanding can be dangerous. You might be tempted to do something based on this misunderstanding, and get a nasty shock when things are not what they seem.

Think of a chair.

Most people would categorise a chair as a product, rather than a service. I think a chair is a product – for a very

short period of its life. A chair comes into being when it is in a factory. The factory brings in pieces of chair and sticks them together. When the last piece of chair is fitted together with its brothers, the pieces become a chair. The chair is now a product. The chair is put in the back of a lorry with lots of other chairs and is driven off to be delivered. (By the way, if the lorry is owned by the company that made the chair then the delivery of the chair is still part of the manufacturing process, if it is owned by a delivery company then the act of delivery is now categorised as part of the service

industry.) Our chair is delivered to a shop and the one next to it is delivered to a restaurant. Our chair is still a product, but the other chair has already changed into a service. The restaurant chair is now part of a service, because it is put with a table in a building and people come and sit on it so they can eat food. Our other chair has not achieved this miraculous transformation, because no one yet uses it. Instead it sits in a shop waiting to be bought. This transformation may never happen. If no one buys the chair, it remains a product, and useless. If the shop owner decides that the chair is never going to sell he may decide to put the chair out of its misery of still being a product and burn it. Our chair's spirit is now free to join other chair spirits for another bash at actually being useful.

My point here is that a product is nothing but a bundle of potential services. A product is literally useless unless you can get some service from it. Hence a manufacturing company is useless without a service company.

And so when you read that Britain's manufacturing base is disappearing, leaving us with a hollowed-out service economy, pause and think: is this as bad as it sounds? Economists make the distinction between products and services. Manufacturing companies make things, service companies deliver them. Service companies seem to suffer from discrimination. This prejudice stems from the idea that service companies cannot exist without manufacturing companies. This idea, in turn, stems from a misunderstanding of the distinction between a product and a service.

Also the distinction between a manufacturing company and a service company is useless. Our chair was made by a company that bought chair bits and stuck them together, just as the restaurant brought the chair together with other chairs and tables and some food to deliver something useful – a meal.

An industrial economy takes things that are useless and makes them useful. Whether a company is involved in creating something with a potential to be useful or actually releasing that potential is largely irrelevant. ☐

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