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INFORMAL SERVICE OFFER: PEDDLING

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Abstract:

Informal sector, which is defined with several names such as disguised unemployment, illegal economics or marginal economics, emerges as earning opportunities outside the modern system which operates with limited resources. The term “informal sector” does not only imply the processes addressed to manufacturing, but services as well. Informal sector retailing act, which will be mentioned as “peddling” is regarded as an innovative service handled with small capital or none. Thus, the sector operates both in production and distribution of goods which will be mentioned as “catchpenny articles” sold on street peddles. The study introduces peddling as the retail service offered by informal sector and aims to investigate the qualities peculiar to peddling act.

I. Introduction:

The wide range of goods and services peculiar to informal sector are identified to be low-cost, labor intensive, unregulated, competitive and unrecorded. Falling outside the reach of government regulations, peddling appears as an immediate service offered by informal sector that responds a need whether identified or unidentified by the user. Peddling differs from formal marketing in various aspects such as the manner of expansion, in response to customer’s demand, in warranty and product returns, in product range sold. As a retail service, peddling highly depends on presentation of the product. In formal sector any item launched to the market is supported with a certain presentation such as package, advertisement, promotion. Lacking such kind of supports, informal sector is forced to create its own solutions for presentation. Peddling tries to compensate this lack by street shows led by peddlers.

A service is regarded as an intangible product which is consumed as experiences rather than things. In this sense, services are differentiated from goods since the delivery and the

consumption of a service is immediate where the consumer and the service provider are present (Kaplan, 2008). Service design is concerned with designing the process that is led by the service provider, and that creates pleasing experiences in the customer. However a service cannot be totally separated from tangible products. A service may involve the consumption of both tangible and intangible components at the same time.

Service design operates in close contact with interaction and industrial design (Holmlid, 2007). Thus, manufacturing industry, which depends on high investments contributes to service sector with the production of tangible industrial goods. This is not the case in informal sector. In both manufacturing and service aspects, informal sector operates with limited resources and tries to compensate the gap between the formal sector. In informal sector, the items produced by small scale informal production units can only meet their customers on street peddles and the service provider, which is the peddler, tries to substitute the promotion act. Through the study, characteristics of peddling act with respect to services are aimed to be examined.

II. What is Informal Sector?:

Informal sector can be defined as a legitimate and an illegitimate income opportunity varying from street vendor to home industry which provides a wide range of unrecorded, low-cost, labor intensive, unregulated, competitive goods and services. The primary objective of informal sector appears to generate employment for the participants rather than to maximize profits (Lubell, 1991). In general, informal sector covers all the acts which cannot be identified with the traditional measurement methods of economics and which are partially reflected to the national income statistics. While formal sector large-scale enterprises are closely related to the state and regulations, informal sector gives a chance to the local entrepreneurial talent (Gilbert, Gugler; 1984).

Informal sector's appearance is discussed to be a result of modern sector's (particularly industry) inability to absorb a growing surplus of manpower. It was the ILO (International Labor Organization) report on Kenya (1972) which launched and popularized the concept of informal sector. The formal and informal sectors were identified by the mentioned ILO report, as shown in Table 1.

Table 1. Characteristics of informal sector in comparison to formal sector (Adapted from ILO report, 1972, cited by Gilbert and Gugler (1984)(p:73))

INFORMAL SECTOR	FORMAL SECTOR
Ease of entry	Difficult to enter
Reliance on indigenous resources	Frequent reliance on foreign resources
Family ownership of enterprises	Corporate ownership
Small scale of operation	Large scale of operation
Labor-intensive and adopted technology	Capital intensive and often imported technology
Skills acquired outside the formal school system	Formally acquired skills, often expatriate
Unregulated and competitive markets	Protected markets (through tariffs, quotas, and trade licenses)

Informal economy is defined in four sub groups by OECD:

- » Underground Production; in which the economic legal acts are unrecorded to facilitate tax payment avoidance and tax evasion.
- » Illegal Production; is whether the production, sales and maintenance of illegal products or the unauthorized production of legal products.
- » Informal Sector Production; covers the acts led by small scale firms avoiding the corporate regulations.
- » Household Production for own final use.

(Ercan, 2006)

III. Peddling as an Informal Service:

Types and services in the informal sector is divided into two parts as innovative service sector and illegal acts (Gilbert, Gugler, 1984). Peddling stands on the innovative service group tending to bring facilities with small capital or none (Akbulut 2008).

Peddling is an innovative service in terms of

INTERFACE: A service is always produced in a social and physical setting (Holmlid, 2007). This interface, is the meeting and contact point between consumer and the service provider and can be a source of innovation (Gallouj, 2002). In case of peddling, the interface is the street peddles where the catchpennies are displayed. As the owner of the peddle, the peddler reflects his creative responses in the organization and the demonstration of the goods. However peddling act does not allow work expansion with wider peddles, since this hinders

mobility and results in lack of accessibility. Consequently, work expansion is provided by increasing the number of individual peddles rather than expanding a single peddle.

SERVICE DELIVERY: The nature of interaction between customer and supplier depends on the unsteady nature of peddling. Supplier meets its potential customers on street. The interaction between them is informal and discontinuous. As mentioned before, service supplier, which is the peddler, also acts as the promoter of the catchpennies sold by leading street shows.

THE NATURE OF DEMAND AND SUPPLY: Peddler attempts to create the demand on catchpennies, or to answer a demand at an unexpected instance. He needs to be attentive and quick to catch the crack points in the market when the consumer demand is shifting.

THE PRODUCT RANGE: Many services are presented as combination of goods and services (Baida et.al. 2005). Peddling owed its success to offer goods ranging from luxury items to goods which are new and illicit (Fontaine, 1996). The success of a catchpenny does not only rely on its competitive price but also on its power to express itself on street peddles (Akbulut, 2009). A catchpenny can be produced whether by one of the subgroups of informal economy identified by OECD, or by formal sector enterprises. In fact, the product range on a peddle depends on certain determinants such as time, location of the peddle, the supplier of the catchpennies with whom the peddler is in touch. The product range on peddles changes due to national and religious days, weekends, end of working hours, even seasons. Likewise, different products are sold in different locations such as schools, hospitals, highways etc. The peddle on a specific location serves like a quick service for urgent needs, or the needs not considered until that time. The product supplier is another determinant for the product range. The catchpennies can be stock remainders, supplied from small scale production units or can be produced within home.

IV. Conclusion:

In general services are perceived as intangible products consumed as experiences. Although the peddling act offers tangible products, it appears as an innovative service by means of the products sold, the interface that the products demonstrated, the interaction between the customer and the supplier, and the supplier's attitudes against the changing market conditions. The limited resources of informal sector forces the peddler to quickly respond to the changing conditions and customize the retail act according to a number of determinants. Unlike formal sector services, peddling does not require a certain technology, manpower, cost or research and development. However the innovative approach of the peddler helps to provide a supply for a demand at an unexpected instance or to create and answer a demand not identified until that time.

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