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Developing Situations and Countermeasures of Modern Service Industry for Suzhou

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Abstract: The quick development of service industries attracts more and more attention and it is important for Suzhou to develop economy. Suzhou economy has accounted for the level of middle-developed country, but its service industries is behind further than other developed countries. This study analyzes the current situation and then proposes some questions of service industries in Suzhou by using statistics data. Based on these, this study provides some effective countermeasures from position, arrangement, structure and policies in order to prompt the development of service industries of Suzhou in the future.

Key words: Service industries, situation, countermeasure

INTRODUCTION

Since 1960s, the economy focus transforms into the service industry for the main developed countries, thus the proportions of service industry increase continuously in the employment and GDP and the trend of transforming "industry economy" into "service economy" appears in the global industry structure. During the 21st century, the ratio of service industry is about two thirds of the GDP for developed countries, at the moment, the inner structure of service industry has the new characteristics for the promotion of knowledge and technology and the modern service industry with intensive knowledge, advanced technology and high added value grows rapidly. It can be said the modern service industry is becoming the important engine for the economy growth and it's already the key mark of the economy modernization.

Suzhou City is located in the southeast of Jiangsu Province and it's western Shanghai, northern Zhejiang Province, eastern Taihu and southern Yangtze River. During the progress of industrialization transformation and urbanization, it's necessary to develop the modern service industry, for it has important effect on the sustainable development of Suzhou economy and society. Therefore, the "Decision of promoting the spanning development of service industry" was issued by the municipal party committee and government of Suzhou City in November, 2004, then the policy and advice on spanning development were issued successively and under the support and guidance of these government policies, modern service industry of Suzhou has some development. In 2011, the gross economy of Suzhou is the fifth in our country, it arrives at the mid-income level according to the per capita GDP. However, the

development of service industry lags, it's not in accordance with the comprehensive economy strength of Suzhou, so, some measures should be adopted to promote the economy development of Suzhou (Statistics Bureau of Suzhou, 2011).

DEVELOPING SITUATIONS AND PROBLEMS OF SUZHOU MODERN SERVICE INDUSTRY

Developing situations of modern service industry: Since 1990s, the service industry of Suzhou has a rapid development and stable improvement which owing to the reform and opening-up and economic development and it has positive effects on the economy level and employment. In the twelfth five-year developing plan of Suzhou, the promotion of industry competition was suggested, in which, the new industrialization road should be kept and the high-end industry city with modern economy should be built, thus promoting the lifts of "made in Suzhou" to "created by Suzhou" and "producing economy" to "service economy". Especially, the urban function of Suzhou changed a lot, it develops from an uni-comprehensive industry city into the regional production and circulation service center, with the promotion of industry function, service industries, such as finance, trade, transport and real estate etc., develop rapidly. In 2011, the whole city implemented the policy of promoting the spanning development of service industry suggested by the municipal party committee and government. Based on the goal of building "three-district three-city" and realizing the modernization, it keeps the development, adjusts the structure and advocates innovation, so the service industry develops rapidly and scalely and the inner structure becomes rational, thus improving the status of service industry.

Positive developing trend of service industry: By the preliminary accounting, the added value of service industry is 458.150 billion yuan in 2011 and the growing rate is 12.9% by comparable price, thus it's respectively the sixth and third in the main 20 cities. Besides, the increasing speed of service industry is 0.9% higher than the GDP's and 1.4% higher than the second industry's. In term of the gross added value on industries, the wholesale, finance and real estate possess a excellent status and the added values are 120.114 billion yuan, 63.326 billion yuan and 58.115 billion yuan, respectively; Of course, in term of the increasing speed, the finance industry is the first with 21.2%, transportation, storage and post industry are the second with 19.9% and the profitable service industry is the third with 21.2% (The People's Government of Suzhou, 2006). Besides, the increasing ranges of the above three industries are 6.1, 2.3 and 1.3% higher than the 2010's respectively.

Rapid promotion of service industry proportion: The service industry is influenced by the double blocks of large scale manufacture and the prior effect of Shanghai and the gross proportion in GDP is less than the the key cities such as Shanghai and Nanjing. However, with the industrialization and urbanization and the structural change of international finance transfer, the service industry is in the promoting and developing phase. In 2011, the added value of service industry is 42.7% of the GDP which is 1.3% higher than the 2010's and the increasing range is all the first in the provincial cities and the main 20 national cities.

Rapidly increasing investment of service industry: In 2011, the fixed asset investment of service industry is 260.132 million yuan and the increasing rate is 27.2%, in which, the increasing range is 2.8% higher than the total fixed finance investment and 6.3% higher than the industry investment. Besides, the investment of service industry is 57.8% of the total fixed asset investment which is 1.3% higher than the 2010's. In term of industry situation, the increasing speeds of information transport

and computer and software industry, science research, technology service and geology investigation are all more than 50% and the growth values are 71.3 and 59.0%, respectively; In term of gross investment, the total investment of real estate, water conservancy, environment and public facility management is 187.212 billion yuan which is 72.0% of the total service industry investment. Besides, the key investment projects are 172 which is 83 than the last year; the completed investment is 47.6 billion yuan which is 65% than the last year and 58.3% of the total key investment (The People's Government of Suzhou, 2010).

Constantly improved opening-up: In Suzhou, the foreign owned enterprises have already ran the wholesale and retail, software, lease and business service, etc. and in 2011, the using foreign investment of service industry is 2.933 billion dollars and the increasing rate is 26% and it's 32.9% of the total used foreign investment which is 5.6% more than the 2010's; the new batch projects invested by foreigners are 646, the increasing rate is 11.4% and the registered foreign finance of service industry is 4.843 billion dollars, the increasing rate is 21.0% and it's 14.9% more than the 2010's (Yan, 2006). In term of the increasing range, the real use of foreign finance is active, in which, science research, lease and business service, culture, PE and entertainment are the first three industries and the increasing rates are 448.5, 101.6 and 78.6%, respectively.

Problems of modern service industry: Though the modern service industry has large contribution to the economy development of Suzhou, there're still some conflicts and problems needing to be solved and the main ones are as follows.

Unreasonable inner structure: After the reform and opening-up, the pattern of service industry changes a lot, the new service industries with advanced technology, pattern, format and high human resource, technology and added value develops, while the producing service industry with high knowlwdge and added value has no large scale, for example, the information transport, computer and software service, lease and business, science research, technology service and geology survey. In term of the added value, the traditional service industries, such as wholesale and retail, transportation, storage, post, accommodation and catering, etc., possess the ratio of 45.6% in 2011 and the wholesale and retail is dominant, the ratio is 32.2%, they're a little higher than America and Japan. While other service industries only possess a small ratio, for example, information transport,

Table 1: Added value proportions of service industry of Suzhou from 2005 to 2011

Year	Proportions of service in dustry (%)	Increasing percent than last year (%)
2005	33.0	-
2006	33.6	0.6
2007	35.9	2.3
2008	38.0	2.1
2009	39.4	1.4
2010	41.4	2.0
2011	42.7	1.3

Information source: The review on the running of service industry of Suzhou in 2011, the public net of statistics and investigation of Suzhou

Table 2: Added value of every service industry in 2011

Name	Added value/0.1 billion	Increasing speed (%)	Composition (%)
Transportation, warehouse and postal service	350.82	19.9	7.7
Wholesale and retail Accommodation and catering	1476.02	14.8	32.2
Finance	260.57	10.1	5.7
Real estate	633.26	21.2	13.8
Information, computer service and software	581.15	-0.3	12.7
Other profit service industries	209.51	15.0	4.6
Public management and social organization	449.54	19.5	9.8
Other nonprofit service industries	262.68	8.2	5.7
Total	357.95	6.3	7.8
	4581.50	12.9	100.0

Information source: The review on the running of service industry of Suzhou in 2011, the public net of statistics and investigation of Suzhou

computer and software have a total ratio of 4.6% and other profitable service industries have the ratio of 9.8%, so the unreasonable inner structure of service industry need to be optimized.

Low level of opening-up: The opening economy is the characteristic and excellence of Suzhou, while the opening-up and the international service trade fall behind and the using ratio of foreign investment is low. In the current service industry, the limelight service industries are travel, foreign engineering contraction, labor and international freight. So, the main service industry is trade company, it's small. The modern finance, logistics and electronical information are the typical service industries to be developed further (Zhongmin, 2008). Though there're some opening-up domains, the running amount is small and they're dispersive, so there're no statistical information.

Weak radiation function of center city: Suzhou is a typical center city with the low first place, for self-governing towns and construction of developing districts make Suzhou become a “weak-city strong-town”, thus the service function and strength are weak and the accumulation and radiation abilities reduce greatly (Guoliang, 2009). Based on the relevant information, the relativity of added value ratio of service industry and the ratio of urban residents is 0.6279, while it's 0.3978 with the urban area, so the development of service industry is in relation to the population of urban residents. For the urban district, the ratio of GDP is 37.9% of the total GDP in 2011, it's the least in southern Suzhou. Besides, the human density is low, the ratio of registered residents is 38.2% of the whole people. In some governing districts, the homogenization development is serious and the finance strength is weak. So, the service industry develops slowly, thus influencing the increasing value. The negative influence of the first city-Shanghai.

In the development of modern service industry, the phenomenon of “shadow effect” exists popularly, namely

the modern service industry of the first city will cover partially the second level city, thus making the developing conditions of the second level city bad. Shanghai which is the international urban, its development of modern service industry is better than Suzhou's, to some extent, the development of Suzhou is limited by Shanghai. Besides, the industry structures of Suzhou and Shanghai form the perpendicular division of “shop-front factory-behind”, Shanghai possesses the partial service industry market by using its fund, talent and information (Haili and Ying, 2009). As we all know, modern service industry is an industry with gathering knowledge and talent, the introduction, accumulation and use of specialty talent are very important to the development of modern service industry. However, the talent of Suzhou is scarce for the intensive introduction by Shanghai.

COUNTERMEASURES TO DEVELOP SERVICE INDUSTRY OF SUZHOU

Developing orientation and cooperation: The development of service industry of Suzhou should be in harmony with Shanghai and consider the undertaking, extension and complementarity. In fact, Suzhou is in the expansion range of Shanghai, they're close to each other, it's the first city to be the radiated and composed in the building of community of Shanghai. Suzhou and Shanghai are not the competing relation, but the cooperation relation with different levels, times and preferences in one large urban circle, what's more, the competing relation should be the horizontal dislocation division, but not perpendicular. In other words, it's not “I should develop what you don't develop, I should develop follow you” (Yongxiang *et al.*, 2010). Namely, Shanghai and Suzhou are close and interactive, the problems only exist in the developing phase, focus and scale. In fact, though the modern logistics, finance and insurance and business trade are weak for Suzhou, they can still have large development in Suzhou and some industries are ranked first in the province. Besides, Suzhou should strengthen

the connection and cooperation with the other abutting cities further, thus becoming one member of the economy circle of Yangtze Rive Delta and forming the new situation based on advantages and cooperations.

Inner structure of service industry and modern logistics, culture and travelling: For Suzhou, it should make full use of the advantages such as humanity, travel and manufacture based on the economy transformation and upgradation. Developing the modern service industry and cultivating the new growth point are the urgent tasks, of course, the principles for development are based on the location, rational plan and harmonious development (Bin, 2010). The producing service industries such as finance, information, commerce, modern logistics, science research and technology service should be developed strongly, thus promoting the industry chain into the two ends and lifting the value chain to the top. Besides, the traditional service industries such as wholesale and retail, accommodation, catering and transportation should be reconstructed by using the modern running pattern, service technology and management method, thus promoting the new running patterns such as franchise, chain management, logistics delivery, e-commerce, agency and direct sale.

Modern logistics net is very important for the economy development, for Suzhou, it should be built according to the region economy strength and the comprehensive transport system. By the modern logistics net, the information between the manufacturers, wholesalers, retailers and transport agents, storage agents and freight agents will be sharable, thus improving the delivery efficiency. Besides, the relation between raw material, storage, customs declaration, transport and the manufacture should be integrated, thus decreasing the fair cost, improving the currency efficiency and strengthening the relevancy between the manufactures and the producing service industries. What's more, the large logistics park, logistics center and delivery center should be built based on the port, developing area and traffic junction, thus establishing the modern logistics enterprise with scaling effect, then forming "the third-part logistics enterprise" with comprehensive services, by making use of the advantages of manufacture and import and export, improving the radiation and influence of Suzhou.

Suzhou which inherits the Wu culture for 2500 years, has unique and profound culture resources, they're the precious fortune and the rare resources. We should pack, design, spread and popularize these culture resources by cleaning, transformation, fusion and promotion and form a industry chain by industrialization

and commercialization, thus promoting the penetration of travel, science and education, broadcast and television and entertainment and generating the effect of circular economy, these measures provide foundation for obtaining culture excellence and brand, it will serve the construction and development.

In Suzhou, there're four traditional travelling resorts, namely the millenium ancient city, classical garden, water-countryside and ancient town and the Taihu landscape, we should excavate and develop new travelling resources by combining the modern urban landscape, theme park and water travel and fusing the drama, custom, religion, history and food culture. Besides, we should also improve the total image of travelling brand by publicity, plan and advertisement, at the moment, it should participate the construction of Taihu-round travelling circle and promote the sharable information in passenger source, traffic and service by building the travelling information platform.

Radiation function of service industry: The rapid development of Suzhou devotes to the all-around towns and developing districts, the city is a group of developing districts and the function is processing industry base. Though the economy development is excellent for the whole city, the phenomenon of "strong-county weak-city" exists, namely the center city is weak and has no obvious service function, thus reducing its accumulation and radiation ability in the economy and weakening its status and effect, these phenomena are negative to the harmonious development (Lan, 2009). With the economy globalization, the knowledge economy is developing and the manufacturing capital is transferring frequently, thus requiring the producing service industry to accumulate in the center city, as we all know, the service function of the center city influences the density of service industry, besides, the urbanization of Suzhou is low and the service function is weak, so it's necessary to strengthen and better the service function of Suzhou and form an urban region or even more large region, these measures can improve the competition of Suzhou, of course, we should optimize the space structure of Suzhou first.

For Suzhou, the service function is weak and the vicious competition among counties is serious, thus making Suzhou an acentric and independent city and the whole city has no a strong space and innovation core. Therefore, we should strengthen the accumulation and function of the center city by constructing a rational space structure, in which, the center city is the core, the county is the support and the town is the foundation and they form the rational and harmonious space structure. Of

course, in the planning of the inner space structure, it should exhibit the characteristics and avoid the irrational planning and construction.

Developing environment and service policy: The government should implement the every policy accelerating the development of service industry, establish and publish the implementing methods and abolish the outdated policy. Besides, it should study new supporting policy and support the key industries, for example, the free-charge policy on projects within the governing range and the local finance award and the finance transferring policy on the limited developing region, thus forming the price system of using land, water, electricity and gas. The managing departments and industry institutes should also do the corresponding task within the duty.

We should strengthen the supervision and management of the market, industry and project, especially the prior, middle and post inspections and we should also protect the legal right for the investors by fair, public and strict principles. The public service product should adopt public bid or auction and the great running service product should strengthen publicity and hearing system. Besides, the managing departments should compromise and obey the law and discipline, thus keeping the law and command unblocked and effective.

We should establish and implement the introduction plan for advanced service talent, perfect the flexible introduction mechanism of combination of talent and project, complete the talent evaluation system and encouraging mechanism and create the environment for kinds of talents. Besides, we should cultivate the scarce talent, especially the specialty talent and managing talent majoring in software, supplement chain, exhibit management, international marketing, travelling management, culture broker, information platform design, finance product and some great match etc.

CONCLUSION

It is well known that service industries play an important role in economy development. Faced with this, it is an important problem for Suzhou to how to prompt service industries. In the study, the main modes and paths of developing modern service industry in developed countries were introduced systematically, then illustrating the developing situation, advantages and existing problems of service industry in Suzhou based on the statistical data, finally, giving the countermeasures for developing the service industry by referring to the

successful experience in developed countries. At the same, the reference value is wished for the sustainable development of service industry in Suzhou and other cities.

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