

# Research on the Current Development and Promotion Strategies of Zhejiang Modern Service Industry

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**Keywords:** Zhejiang Modern Service Industry, Promotion Strategies, innovation capability, technological support.

**Abstract.** Base on the general introduction about the development history of Zhejiang modern service industry, this article explains its development features. This article has found that apparently Zhejiang modern service industry has a raised contribution to Zhejiang economy and this industry has made remarkable achievements in recent years. By the way, there are also some problems in this industry. For example, some enterprises in the service industry are suffering dramatic deficit. The internal structure of the service industry needs to be further optimized and so on. Therefore, Zhejiang government should enhance guidance to this industry and create a positive environment with market promotion, and develop the key fields with highlighted key points.

## The basic background of Zhejiang Modern Service Industry

The added value of Zhejiang service industry was 1562.4 billion Yuan in 2012, increasing by 9.3% compared to that last year, 1.3 percentage point higher than the growth rate of GDP, and 2 percentage points higher than the growth rate of the secondary industry. The gross added value of the service industry of Zhejiang ranked no.4 in China. In the first half year of 2013, the added value of Zhejiang service industry reached 783.369 billion Yuan, up by 8.1% year-on-year. It accounted for 42.6% of GDP. After the investments on the service industry in Zhejiang topped 1 trillion Yuan in 2012, it showed the trend of high-speed growth. By August 2013, the total investments of 790 billion Yuan had been finished in the service industry and the growth rate of investments had reached 21.6%. The growth rate remained above 20% for 17 months successively. Amongst, Hangzhou, Ningbo, Wenzhou and Jiaxing finished an investment of more than 50 billion Yuan respectively.

## Development Features of Zhejiang Modern Service Industry

### Increased Economic Aggregate of the Service Industry and Apparently Raised Contributions to Economy

The gap between the service industry and the secondary industry narrows, and the proportion of the service industry to GDP is gradually increased. The proportion of the added value of the service industry to the added value of the secondary industry was raised from 85.7% in 2011 to 90.3% in 2012, showing that the gap closed. As the added value of the service industry takes a greater proportion to Zhejiang GDP, it plays a more important role in the national economy. In 2012, the added value of the service industry accounted for 45.2% of Zhejiang GDP, up by 1.3 percentage point.

The service industry provides more job opportunities and makes more contributions to the fiscal revenue. In 2012, the number of employees in the service industry was estimated to be 12.9 million, increasing by 200000 compared to that last year. It took up 35% of employees in Zhejiang. The per capita added value reached 121100 Yuan, up by 9500 Yuan compared to that last year. In particular, producer services were characterized by high labor productivity and excellent growth. In 2012, the tax revenue from the service industry in Zhejiang was 408.9 billion Yuan, up by 24.1% compared to that

last year. The tax revenue from the service industry took up 53.4% of the total tax revenue, up by 5.3 percentage points compared to that last year.

The investments in the service industry increase rapidly. In 2012, the service industry of Zhejiang Province had the total investments of 1.09 trillion Yuan, up by 24.1% compared to that last year. The growth rate was 2.7 percentage points higher than that of the total investments on fixed assets and 7.5 percentage points higher than that of the total investments on the secondary industry. The investments in the service industry took up 63.6% of the total fixed assets investments, 27.9 percentage points higher than the secondary industry investments. Investments on people's livelihood were gradually increased. In 2012, investments in education, neighborhood services/other services, and culture/sports/entertainment went up by 33.2%, 29.3% and 79% respectively.

The hotel and catering industry as well as the wholesale and retail industry are developed rapidly. In 2012, each sector of the service industry kept growing stably. Amongst, the added value of the hotel and catering industry reached 72.281 billion Yuan, up by 11.9% year-on-year. Its growth rate was 2.6 percentage points higher than the average growth rate of the service industry, ranking top among all sectors. The added value of the wholesale and retail industry was 369.68 billion Yuan, taking the largest proportion. It went up by 10.3% and its growth rate was 1 percentage point higher than the average growth rate of the service industry. The added value of the finance industry was 296.554 billion Yuan, up by 9.7% year-on-year. Its growth rate was 0.4 percentage point higher than the average growth rate of the service industry, ranking no.3.

The service industry in every city is developed well. In 2012, in terms of the added value of the service industry, Hangzhou, Ningbo and Wenzhou ranked top three and achieved respectively 392.117 billion Yuan, 273.8 billion Yuan, and 169.41 billion Yuan; in terms of the growth rate of the added value of the service industry, Ningbo, Jinhua and Shaoxing ranked top three and achieved respectively 10.9%, 10.9% and 10.8%; in terms of the proportion of the added value of the service industry to GDP, Hangzhou, Wenzhou and Jinhua ranked top three and achieved respectively 50.2%, 46.4% and 45.2%. It was the first time that the service industry of Hangzhou took a majority of GDP.

### **Remarkable Achievements in Key Work of the Service Industry**

In 2012, the key work of the service industry of Zhejiang, covering county economy, construction of demonstrative clusters and investments in the service industry, were developed effectively with remarkable achievements.

The service industry in economically strong counties is further highlighted. In 2012, the added value of the service industry of 20 economically strong counties reached 532.255 billion Yuan, up by 59.79 billion Yuan compared to that last year. It took up 34.1% of the added value of Zhejiang service industry, increasing by 0.8 percentage point compared to that last year. In terms of the absolute amount of the added value of the service industry, Xiaoshan District ranked top among these economically strong counties and achieved 56.554 billion Yuan; in terms of the growth rate of the added value of the service industry, Yuhang District ranked top and increased by 14.1% year-on-year, 4.8 percentage points higher than the average growth rate of Zhejiang province; in terms of the proportion of the added value of the service industry to GDP, Yiwu ranked top and achieved 55.8%, 1.3 percentage point higher than that last year, and 10.7 percentage points higher than that of Zhejiang.

The service industry clusters are stably constructed and promoted. As the service industry is being developed rapidly, the service industry clusters as new carriers are emerging. The modern service industry clusters of Zhejiang are being stably constructed and promoted.

The service industry accelerates its pace of opening up. In 2012, the value of exports and imports of Zhejiang accumulated to be 27.038 billion US dollars and the value of exports reached 17.349 billion US dollars. The annual growth rate was respectively 13.2% and 18.9%, 12.2 and 15.1 percentage points higher than the growth rate of trading in goods of the same period. In 2012, the signed service outsourcing contract value in Zhejiang was 6.084 billion US dollars, up by 71.2% compared to that last year, including 5.243 billion US dollars actually paid. The actually paid-up foreign capital in the service industry achieved 6.46 billion US dollars, up by 19.7%, 7.7 percentage points higher than the average growth rate. Its proportion rose from 46.3% in 2011 to 49.5% in 2012.

The tourist industry keeps rapid development. In 2012, inbound tourists to Zhejiang notched up 8.6593 million person times, up by 11.9% year-on-year. The revenue from inbound tourists achieved 5.152 billion US dollars, up by 13.4% year-on-year. Domestic tourists to Zhejiang notched up 391 million person times, up by 14.1% year-on-year. The revenue from domestic tourists achieved 447.576 billion Yuan, up by 18.2% year-on-year. The revenue from the tourist industry totaled 480.12 billion Yuan, up by 17.7% year-on-year. Outbound tourists organized by tourist agencies in Zhejiang reached 1.606 million person times, up by 26.7% year-on-year.

Enterprises are well-run. According to investigations on 11800 transport, information, business, technology, culture, neighborhood services and other service companies with certain scale, by the end of November 2012, the assets had totaled 1.82 trillion Yuan, up by 13.8% year-on-year; the operating revenue from Jan.-Nov. reached 532.185 billion Yuan and the operating profit 70.305 billion Yuan, respectively up by 13.3% and 12.2% year-on-year; 1.2363 employees worked in the service industry on average and had an income of 74.607 billion Yuan, respectively up by 2.7% and 19.1%.

### **Problems in the Development of Zhejiang Modern Service Industry**

Enterprises in the service industry suffer dramatic deficit. According to investigations on 11800 transport, information, business, technology, culture, neighborhood services and other service companies with certain scale, by the end of November 2012, 3396 enterprises had suffered deficit, increasing by 360. The deficit ratio reached 28.7%, up by 3.1 percentage points year-on-year.

The internal structure of the service industry needs to be further optimized. In 2012, the added value of three traditional service sectors of transport/warehousing/mail business, wholesale/retail, and hotel/catering totaled 569.64 billion Yuan, accounting for 36.5% of the total added value of the service industry, 0.4 percentage point higher than that last year. As the representative of the modern service industry, the finance sector had the added value of 296.554 billion Yuan in 2012, accounting for 19% of the added value of the service industry, down by 0.3 percentage point compared to that last year. The development trend of the modern service industry and the traditional service industry is not consistent with the structure optimization of the service industry, which shall be highlighted and changed.

Policies of “to replace the business tax with a value-added tax” and real estate control shall be further highlighted. On 1 December 2012, Zhejiang started the police of “to replace the business tax with a value-added tax” in the transportation sector as well as sectors of R&D technology, information technology, creativity, logistics, leasing of tangible assets, and visa consultancy. As estimated, nearly 95% of above enterprises, covering about 140000 taxpayers had lowered or unchanged tax payments. However, recently, some large transportation companies suffered heavier taxes. In addition, as the real estate recovered rapidly, the growth rate of its added value for the first quarter, the first half year, the third quarter and the year of 2012 respectively was -9%, -1%, 3.5% and 6.9% (the added value of the real estate industry of 2012 was 177.836 billion Yuan), which shall be addressed.

### **Suggestions on Promoting the Development of Zhejiang Modern Service Industry**

#### **Enhance guidance by Government with Unified planning**

As the development of the modern service industry is expedited, governments shall enhance supervision and guidance, issue policies, strengthen market management and improve services. I. Governments shall plan and guide the construction of specialized parks and bases to promote clustering development. They shall select and highlight a group of modern service industry clusters with great potentials, actively advance the construction of specialized parks and industrial bases, and further enhance the clustering of the new service industry. II. Leading companies shall play a guiding role in actively extending the industrial chain. They shall develop by serving SMEs, drive the transformation and upgrading of industrial clusters, extend to links of R&D and marketing, and improve the level of the industry. III. Governments shall issue more policies to greatly support the construction of infrastructure for clusters and the construction of public service platforms. They shall promote the building of

incubators and service systems such as professional service platform, reduce the entrepreneurship costs of modern service enterprises, and create typical industrial chains of the modern service industry.

### **Create a Positive Environment with Market Promotion**

Ease conditions for market entry and introduce competition mechanism. Insist on the marketized development of the modern service industry, permit new market entities into the service industry, establish a fair and competitive market, as well as improve efficiency and services.

Regularize market behaviors of enterprises and promote corporate brand strategies. Strengthen industrial self-regulation and external supervision, speed up the construction of the credit rating system, raise brand strategy awareness and enhance competitiveness.

Form the network-style organization structure by market division and specialization. Extend the radiation of services and the service value chain on the basis of diversified, multi-level and networked modern service industry clusters. Actively accept the internationally transferred service industry, guide service enterprises to be chain-like, integrated, internationalized and networked, and promote the leap-forward development of the modern service industry.

### **Develop the Key Fields with Highlighted Key Points**

Vigorously develop the producer services. Producer service links used to be part of the product value-added chain production system of manufacturing enterprises and now are stripped off to be professional service third-parties. As the structure of producer services is deepened, it will drive the manufacturing and processing chain to extend to service links of independent research, independent brand and independent marketing, which lowers consumption of resources and raises the added value of products. Therefore, the transportation industry, information service industry, technology service industry and commercial service industry shall be greatly developed.

Actively promote the transformation and upgrading of traditional commerce, catering, travel, education, health and community services. Utilize information technology to integrate traditional industries of commerce, catering and travel, improve the quality and level of the traditional service industry, actively develop education & training, health, community services and creativity services fields, and advance the traditional service industry to transform from imitative innovation to the modern service development mode of independent innovation with technological progress.

### **Strengthen Technological Support with Technological Innovation**

Further speed up the integration of technology and the modern service industry, and promote the independent innovation capability and the application of high technology of the modern service industry. I. Encourage enterprises to increase investments in technological research and development, especially key technologies related to key fields such as software outsourcing, animation & game, digital publishing and e-commerce.

Construct the new production-learning-research mechanism. Give policy support for production-learning-research projects, actively encourage enterprises, schools and research institutions to achieve exchange and cooperation in the form of entrusted research, joint research, information/resources sharing and others, establish enterprises-based technology development modes combining production, learning and research, implement intellectual property rights and technical standards strategies, and inspire innovation and vitality.

Further foster and introduce professional talents. Focus on fostering high-end talents in key fields of the modern service industry, set up related programs and training courses in universities, enhance the quality of academic leaders and technological leaders, and establish a talent pool for the long-term development of the industry. Meanwhile, speed up the introduction of innovative talents, make use of their innovation capability, and construct a talent system demanded by the modern service industry.

## Acknowledgement

This research was financially supported by the Soft Science Subject of Zhejiang Province with the number of 2013C35022 and the Academic Climbing Project from Education Department of Zhejiang Province with the number of pd2013324.

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