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CHAPTER 1

UNDERSTANDING BUSINESS ACTIVITIES

BUSINESS ACTIVITY



BUSINESS ACTIVITY

the process of producing goods and services to satisfy consumer demand (эрэлт).

Demand = needs and wants

NEED

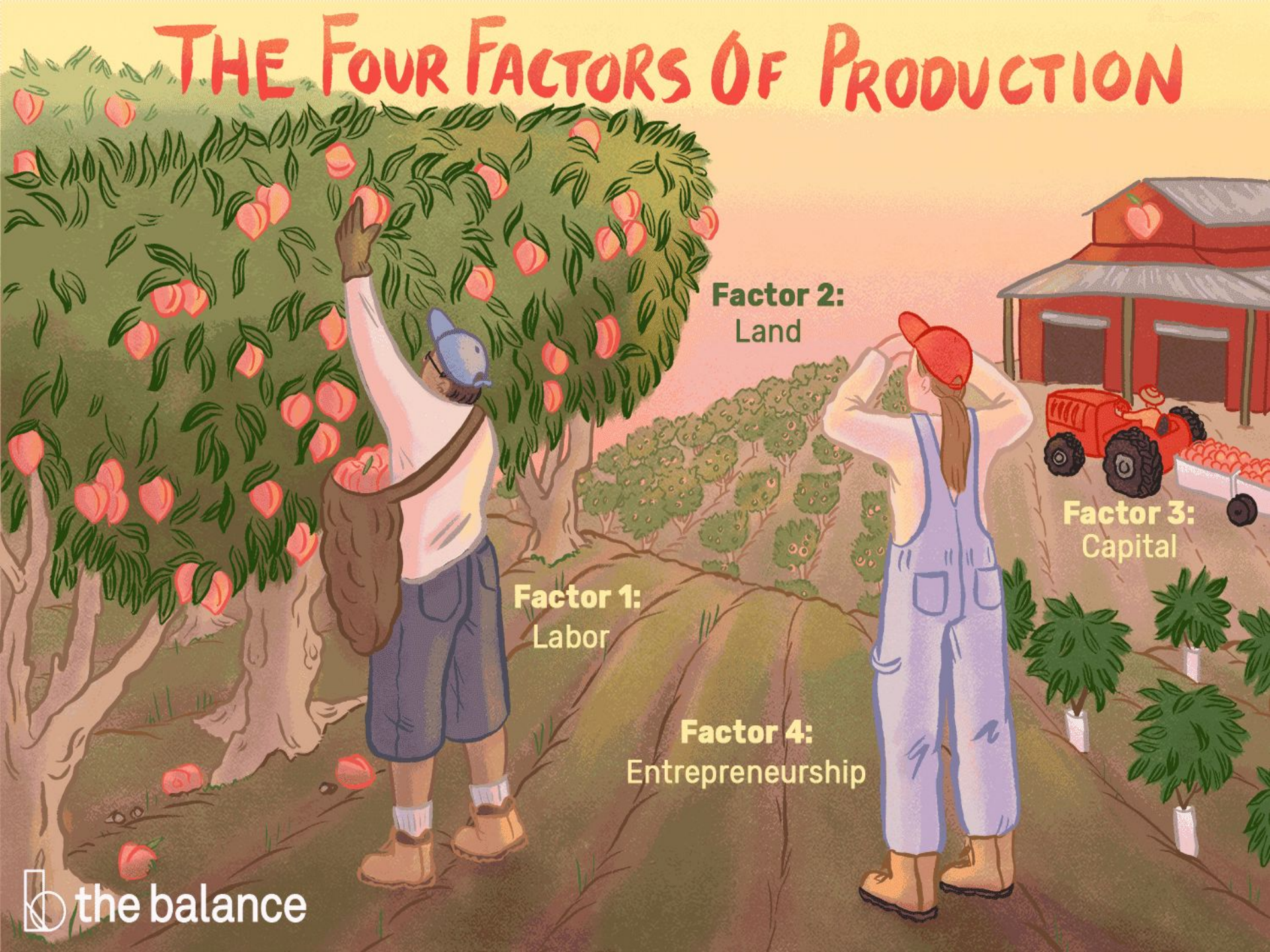
A good or service which is essential to living.

WANT

A good or service which people would like to, but is not essential for living.



THE FOUR FACTORS OF PRODUCTION



Factor 2:
Land

Factor 3:
Capital

Factor 1:
Labor

Factor 4:
Entrepreneurship

ECONOMIC PROBLEM AND OPPORTUNITY COST



ECONOMIC PROBLEM

Unlimited wants cannot be met because there are limited factors of production. This creates scarcity.

SCARCITY

There are not enough goods and services to meet the wants of the population.

OPPORTUNITY COST

The benefit that could have been gained from an alternative use of the same resource.

OPPORTUNITY COST

Today's
choice



Buying a \$7
strawberry
smoothie

Now



Later



SPECIALISATION AND DIVISION OF LABOUR



SPECIALISATION

People and businesses concentrate on what they are best at.

DIVISION OF LABOUR

Production is divided into separate tasks and each employee does just one of those tasks.



advantages

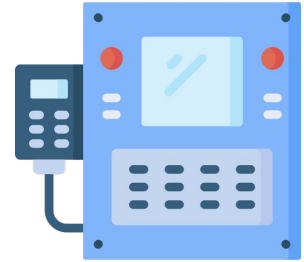
- ★ Less education required to obtain work
- ★ Time and money saving (training)
- ★ High output
- ★ Low wage

disadvantages:

- Less motivation for workers (boring)
- Limited flexibility
- Can be less effective



DIFFERENT TYPES OF BUSINESS GOODS AND SERVICES



CONSUMER GOODS

Products which are sold to the final consumer. They can be seen and touched.

CONSUMER SERVICES

Non-tangible products such as insurance services, transport.

CAPITAL GOODS

Physical goods used by other businesses to help produce other goods and services.

BRANDING



CONVENIENCE



QUALITY



ADDING VALUE

PRODUCT FEATURES

