

Key Vocabulary

Goods – physical items that a business can produce or sell

Services – non-physical products; things that you can experience, e.g. a haircut

Needs – the essential products that consumers need to survive: food, water, shelter, clothing, warmth

Wants – anything that is not a basic need. Often referred to as luxuries

Customer – the person who buys the product

Consumer – the person who is the eventual user of the product

Adding value – adapting a product so that the selling price is higher than the cost of creating the product

USP – Unique Selling Point

Factors of production – resources needed to produce goods and service: land, labour, capital, enterprise

Core Knowledge

A business will produce goods or services

Goods or services must meet the customer needs, or they will not sell

The entrepreneur is the uses and organises the four factors of production in order to produce goods or services.

A business can sell its product at a higher price than the cost of the manufacturing by adding value. This can be through:

- **Branding** – creating an image for a product that sets it apart, e.g. Apple logo
- **Quality** – for example using better cuts of meat in a pie
- **Design** – unique features and designs can lead to consumers paying higher prices
- **Convenience** – when something saves a customer time, this can lead to them paying a higher price, e.g. pre-prepared vegetables
- **USPs** – a characteristic or feature of a product that can not be replicated by an alternative

A business will be likely to use a combination of the above

Don't be a "man on the street"

- Not all businesses produce goods; some produce services
- WiFi is not a need
- Don't confuse the terms consumer and customer
- Customers will not always want the cheapest product
- Adding value does not mean making the price higher



Wider Business World

Gap, Nike, Gucci – examples of brands that cost a lot more than the actual cost of the materials

McCain – produce a lot of ready-meals and pre-prepared items that cost more than the ingredients



Synoptic Links

Customer needs – knowing what these are helps to ensure that the business is satisfying them

Risk and reward – the entrepreneur takes risks, in order to achieve rewards

Marketing – the use of branding and USPs