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3.1.1 The purpose and nature of businesses

These are your lesson objectives:

Students should be able to:

1. understand what a business is and the reasons for starting a business (including producing goods, supplying services, distributing products, fulfilling a business opportunity and providing a good or service to benefit others)
2. understand the difference between goods and services, needs and wants
3. understand the meaning of factors of production – land, labour, enterprise
4. define opportunity
5. define the three sectors of primary, secondary and tertiary and give examples of types of business that operate in each sector

Students should be able to:

6. understand the term enterprise and what is meant by an
7. outline the characteristics of an entrepreneur, such as hard working, innovative, organised and willingness to take a risk
8. outline the objectives of an entrepreneur, including to be their own boss, flexible working hours, to pursue an interest, earn more money, identify a in the market and dissatisfaction with current job
9. understand that businesses face a constantly changing business environment due to changes in technology, economic situation, legislation and environmental expectations

Starter

Things I need	**Things I want**

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Write a definition of needs here:

Write a definition of wants here:

What is a business?

- **A business is an _____ which trades to make money, these come in all shapes and sizes**
- **The business could be _____ person; an electrician for example, who goes to customers' houses and fixes their electrics in return for money**
- **The business could be a giant supermarket chain, for example ASDA, which sells food and other _____ for money**

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What is a product?

- **A product is anything that is capable of satisfying customer needs, it is tangible and can be touched**

Give some examples of products:

What is a service?

A service is an act that a business person carries out for you in exchange for money,

Give some examples of services:

What are the factors of production?

L_____

L_____

C_____

E_____

Opportunity cost

The problem:

- **Land, labour, capital and enterprise are all _____ resources**
- **However our wants are unlimited**
- **This causes _____**
- **As business people we need to decide how best to use those _____ resources, we make choices**
- **For example a factory needs to decide if they should produce cars or vans**
- **When making important decisions in business, the cost of not selecting an _____, is called an opportunity cost**

Reasons for starting a business introduction

#1 To produce Goods

- **For example, Jamal is an accountant, but in his spare time he enjoys working with wood.**
- **He decides he would like to make carvings and sell them.**
- **This way, he can turn his hobby into his job**
- **Jamal starts a business producing wooden figures to sell**
- **Is Jamal selling products or services?**

#2 To supply a service

- **For example, Sandrine works as a cleaner in a school**
- **She decides to start her own cleaning business so that she can be her own boss and keep the profit**
- **She starts a business to supply a cleaning service**
- **Why is cleaning a 'service' and not a 'product'?**

#3 To distribute products

- **For example, Logan works in his Uncle's cycle shop at the weekends while he is studying at college**
- **When he finishes college he decides to set up a business as a UK _____ for recumbent cycles**
- **The cycles are made in Ireland, and _____ into the UK**
- **Logan's business sells and delivers them to the cycle shops to be sold on to customers**
- **What is a recumbent cycle?**

#4 To fulfil a business opportunity

- **For example, Michelle Doherty says that during her almost 14-year battle against chronic acne, she tried everything in an attempt to cure it**
- **So she developed her own product Alpha-H which now includes Kylie Minogue as a fan of the brand and is sold all over the world**

#5 To provide a good or service to benefit others

- **A social enterprise is a business which has the objective of trading to help people or the planet, rather than making a _____**
- **Morgan has decided to start a social enterprise. She has spent two years volunteering at a homeless shelter and now things she has found a way to produce and _____ goods made at the shelter to help fund more craft activities in the future**

Definition of social enterprise

_____

_____

_____

Social enterprises

Objective: to help the community	Objective: to help the planet

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Three business sectors: introduction

Primary sector

also known as _____

- **The primary sector _____ raw materials from the planet**
- **For example; mining diamonds, coal or other precious metals, chopping down trees for wood**
- **In the primary sector goods such as; wheat and barley could be grown on farms**
- **Other goods could be collected such as; strawberry picking or _____**

Secondary sector

also known as _____

- **In the secondary sector goods are _____ from raw materials into finished goods**
- **For example plastic, metal and other materials are made into cars**
- **Other examples is that eggs, butter and sugar are made into cakes**

Tertiary sector

also known as_____

- **The tertiary sector includes shops, retail, banking and insurance**
- **The tertiary sector is all the _____ services for business**
- **Examples are lorries and transport of goods**

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Primary, secondary, tertiary?

A	B	C	D

E	F	G	H

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Define entrepreneur here:

_____

_____

_____

Characteristics of entrepreneurs: introduction

#1 Organised	• **Entrepreneurs need to be very organised when starting their own business and when it is up-and-running** •
#2 Hard working	• **Entrepreneurs may have to work long hours to make the business successful** •
#3 Initiative	• **Initiative means; inventiveness, ingenuity, and resourcefulness** •
#4 Risk-taker	• **Many entrepreneurs risk everything on their idea and may lose their own savings in their quest to start their own business**

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Entrepreneur objectives: Introduction

#1 To be your own boss

- **A reward of setting up a business is that the entrepreneur could be her own boss**
- **This means the entrepreneur gets to make the major decisions in the business**
- **Many people would like to have this degree of control in their working lives, which motivates them to start their own business**
- **How did Rob Law get on in the Dragons' Den?**
- **Have you ever seen his products?**

#2 To work flexible hours

- **One advantage of running a business is that the _____ could take holidays when they want**
- **This means that they could have holidays out of peak times when prices are cheaper, take care of children, or have a hobby**
- **They can work the hours that fit in with their life, which is called a _____**

#3 To pursue an interest

- **Opening a business can bring a great sense of satisfaction to the _____**
- **If the work is meaningful, they might be more likely to stick with it in the long run, which means they will be more successful as a _____**
- **If the entrepreneur is passionate about something (football, horses, playing Xbox or even sewing) they might want to turn this into a _____**

#4 To earn more money

- **A reward of setting up a business is that the entrepreneurs get to keep all the profit that the business makes**

#5 To identify a gap in the market

- **Entrepreneurs may spot a 'gap in the market' which is something that customers need but isn't currently available**
- **This might mean that they have adapted an existing product or made a new one from their own ideas**

#6 Dissatisfaction with current job

- **Entrepreneurs may have become unhappy in their job, so wanted to start a business instead**
- **They may have worked in an industry that they want to move away from, but without experience, the only way to change jobs is to start a company and work for themselves**

Reasons that Ted wanted to leave his job:

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Define a dynamic business environment here:

_____

_____

_____

_____

Dynamic business environment introduction

#1 Changes in technology

amazon.com

- **Changes in technology have had an impact on business in many ways:**

A

B

C

D

#2 Changes in the economic situation

UK Interest rate 2014 - 2022

The economic situation in the UK will have an impact on business in many ways, including:

- **If interest rates rise then the cost of borrowing will rise and customers will buy less goods**
- **If the unemployment rate rises then more people have no job and less money, which will reduce the amount of goods that businesses can sell**

What happens if the unemployment rate falls?

Constantly changing business environment due to: #3 Legislation

- **There are lots of laws that will impact a business, and they fall into four main groups:**

1

2

3

4

Constantly changing business environment due to:
#4 Environmental expectations

- **From Toyota's Prius, and Nissan's Leaf to Tesla's Model S, car manufacturers are competing to produce ever more fuel-efficient environmentally friendly models. Some cars are now a mixture of petrol (or diesel) and electric engines called hybrid.**

Plenary quiz

	Yes	NO
1. A want is the same as a need		
2. A product is the same as a service		
3. Factors of production include enterprise		
4. Changes in technology will not have an impact on business		
5. In the primary sector goods are manufactured		
6. A social enterprise aims to help people or the planet		

Explain, using **one** business example, the meaning of the tertiary sector.

[2 marks]

Explain **one** reason why someone might want to start up their own business.

[2 marks]

Which of the following is an example of a business operation in a primary sector?

[1 mark]

A Bank ⬭

B Car manufacturer ⬭

C Fruit farm ⬭

D Hairdresser ⬭

State **two** factors of production.

[2 marks]

Factor 1 _____

_____

Factor 2 _____

_____