

## How to use: Learn, cover, write and check

### Topic 1.1.3 Role of Enterprise

#### 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 organises the four factors of production in order to produce goods or services. (Capital, Enterprise, Land & Labour)

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.

#### Be aware:

- Not all businesses produce goods; some produce service
- WiFi is not a need
- Don't confuse the terms consumer and customer
- Customers will not always want the cheapest product
- Adding value helps a business to increase the prices of their products without losing them sales



#### Wider Business World

**Gap, Nike, Gucci** – examples of brands that can charge a lot more than the actual cost of the materials due to desire to have that brand

**McCain** – produce a lot of ready-meals and pre-prepared items that cost more than the ingredients. They can charge more because of the convenience it gives the customer

#### 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