

Business Fundamentals Chapter 1:

September 5th/7th

Economic Basics

What is a Business?

"I feel that luck is preparation meeting opportunity" ~ Oprah Winfrey

There are many ways to classify a business.

A For-profit Business is "an organization that produces or sells goods or services to satisfy the needs, wants, and demands of consumers for the purposes of making a profit"

Profit: money left after all expenses have been paid **Expenses:** money spent on running the business (wages, supplies) **Costs:** money spent for the production of the good or service. Businesses try to keep profits up by keeping costs and expenses down.

A For-profit Business Profit = Revenue – Expenses If profit is *negative*, it is called a **loss**.

A business which makes profit may use the money to:

expand/grow operations improve products/services give to owner/shareholders

Non-profit and Not-for-profit Businesses

NP: does not look to make profit, but raises funds for a specific goal (charities, charitable organizations) Examples from class.

Non-profit and Not-for-profit Businesses

NFP: does not seek to make profit, extra monies used to improve services

Co-operative: A group of people who come together to meet a set of goals in a democratically controlled business.

Two examples of each from class :

Size of Business Small or medium sized business: less than 500 people. Large businesses have over 500 employees.

Goods or Services?

Businesses either sell **goods** (physical things you take home) or provide **services** (do something) in exchange for money. Some do both.

Distribution How are goods & services delivered? Bricks and mortar business, telemarketing, catalogue, virtual store (internet)

Role of the Consumer

Producers manufacture goods for **consumers**. Companies that attract more consumers can make more sales and more profit.

The interaction between producer and consumer creates the **marketplace**.

Years ago, business dictated what was produced, and in what quantities.

Eventually, consumers started to tell manufacturers their needs and wants, creating **competition**.

A market, or marketplace, is a regular gathering of people for the purchase and sale of provisions, livestock, and other goods. A place where buying and selling occurs. In different parts of the world they may be referred to as a souk or a bazaar. Today there are many new types of marketplaces with increase in e-commerce.

Consumers also decide *when* a product will no longer be produced. When no one wants a product anymore, it becomes **obsolete**.

What are some things you know of that have become obsolete? List 3.(look to class notes)

Consumers also influence **price**. Companies used to have **pricing power** (could charge what they want), but with competition consumers can shop around for the best deal.

Consumers also have **consumer purchasing power**—as **customers** they dictate how much they are willing to pay, but also the level of service.