

Economy – business sectors

Business activity is the process of transforming inputs into outputs by adding value. There are three main sectors of business activity:

- ▶ **Primary sector** Involves the extraction and production of raw materials, such as coal, wood and steel. A coal miner and a fisherman would be workers in the primary sector.
- ▶ **Secondary sector** Involves the transformation of raw materials into goods e.g. manufacturing steel into cars. A builder and a dressmaker would be workers in the secondary sector.
- ▶ **Tertiary sector** Involves the provision of services to consumers and businesses, such as cinema and banking. A shopkeeper and an accountant would be workers in the tertiary sector.

Goods move through a “**chain of production**”. The chain of production follows the construction of a good from its extraction as a raw material through to its final sale to the consumer. So a piece of wood is cut from a felled tree (primary sector), made into a table by a carpenter (secondary) and finally sold in a shop (tertiary).

Some businesses have elements of all sectors in their chain of production. Others businesses choose to specialise. **Specialisation** occurs when a producer concentrates on making a small number of products, or on providing a narrowly defined service.

Examples of specialisation:

- ▶ Baker only baking bread
- ▶ Machinery that only cuts sheet metal
- ▶ Lawyer dealing only with criminal law

Advantages of specialisation

- ▶ Producer becomes more efficient because they learn the best way (all the short cuts) to produce at the lowest cost
- ▶ A producer may be able to charge a higher price from a customer – the customer is prepared to pay more for expert/specialist knowledge (e.g. a cosmetic surgeon)

How Business Activity is Changing

In the UK the tertiary industry has grown in importance due to:

- ▶ Changes in household behaviour
- ▶ Changes in business behaviour

The main changes in household behaviour are:

- ▶ **Higher incomes** - this has meant that households demand more services such as more holidays and eating out in restaurants, because they can afford to do so
- ▶ **More leisure time** – and so more time to spend on services, such as cinemas.

tutor2u

GCSE Business Studies

- ▶ Businesses offer more **after sale services** e.g. help lines offered through telephone call centres, since customers demand it

In terms of changes in business behaviour:

New and existing businesses need more sophisticated forms of support

- ▶ **Money and finance** – cash is needed for expansion. Banks and other lenders offer many different ways for businesses to borrow money that best suit their needs. E.g. an overdraft for a short period, a loan for a longer period.
- ▶ **Telecommunications** – the ability to communicate internally and externally is vital for business success. Speed, cost and flexibility are all factors in determining the use of the type of wiring a business may need. A number of businesses are now using wireless networks.
- ▶ **Local services** – businesses will need the support of local amenities and shops to service their workers and their day-to-day needs (e.g. food for canteens).

Key Links for GCSE Business Studies

<http://www.tutor2u.net/>

[Discussion Board for GCSE Business Studies](#)

[Other GCSE Business Studies Revision Notes and Resources from tutor2u](#)

[Tutor2u GCSE Business Online Store](#)