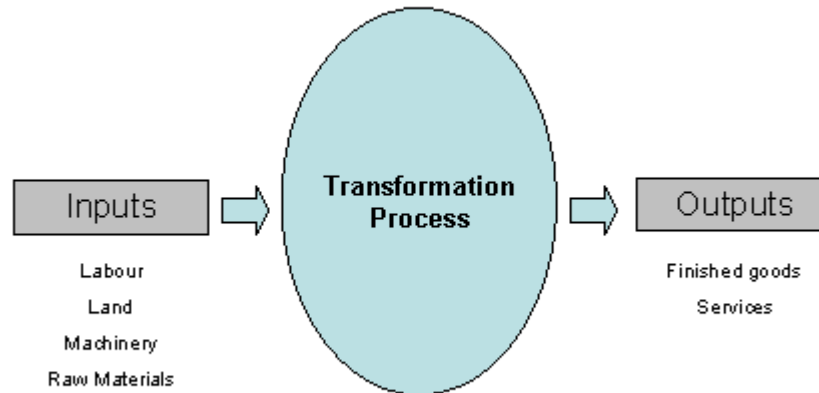


Production process

The way that businesses create products and services is known as the production process.

There are three main parts to the production process as can be seen in the diagram below:



A firm must purchase all the necessary **inputs** and then **transform** them into the product (**outputs**) that it wishes to sell. For example a football shirt manufacturer must buy the fabric, pay someone for a design, invest in machinery, rent a factory and employ workers in order for the football shirts to be made and then sold.

How well-organised a firm is at undertaking this transformation process will determine its success. This is known as the **productive efficiency** of a firm and it will want to be as efficient as possible in transforming its inputs into outputs (i.e. using the minimum number of inputs as possible to achieve a set amount of output). This will reduce the cost per unit of production and allow the firm to sell at a lower price.

Ultimately, the **objective of the production process is to create goods and services that meet the needs and wants of customers**. The needs and wants of customers will be met if a business can produce the correct number of products, in the shortest possible time, to the best quality and all at a competitive price.

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](#)