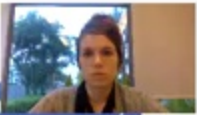




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1.2 Classification of businesses



1.2 Classification of Businesses

Business Activity in terms of primary, secondary and tertiary sectors

- Basis of business classification using examples to illustrate the classification
- Reasons for changing importance of business classification, e.g. in developed and developing economies

Classify business enterprises between private sector and public sector in a mixed economy





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There are three stages of the production and sale of the wooden table

stage	activity	business involved
primary		woodcutter
secondary		furniture maker
tertiary		retailer



- This stage involves natural resources

- This stage involves converting the natural resources and converting them into goods

- This stage involves provided services to both consumers and other businesses



▲ The stages involved in making and selling a wooden table





Which countries do you think at this time are experiencing industrialisation and de-industrialisation?

Industrialisation

De-industrialisation:
occurs when there is a decline
in the importance of the
secondary sector of the country





Changes in sector importance

In the UK and other developed economies there has been a decline in the importance of manufacturing industry – or the secondary sector – since the 1970s. The tertiary sector in the UK now employs well over 75 per cent of all workers. Many workers who lost jobs as factories closed have found it difficult to obtain work in the service industries. The decline in the manufacturing or secondary sector of industry is called **de-industrialisation**.

In China and India, the relative importance of the secondary sector has increased since the 1980s, compared to the primary sector. However, in both countries, many of the tertiary sector industries are now expanding more rapidly than those in both the primary and secondary sectors. There are several reasons for changes in the relative importance of the three sectors over time:

- » Sources of some primary products, such as timber, oil and gas, become depleted. This has been true for Somalia with the cutting down of most of its forests.
- » Most developed economies are losing competitiveness in manufacturing to newly industrialised countries such as Brazil, India and China.
- » As a country's total wealth increases and living standards rise, consumers tend to spend a higher proportion of their incomes on services such as travel and restaurants than on manufactured products produced from primary products.

1) Name one country that has experienced de-industrialisation recently? In this country which sector is the most important and why?

2) Which sectors have increased in importance in China and India?

3) Why has the importance of the primary sector decreased in Somalia?

4) Why has the importance of the secondary sector decreased in developed countries?

5) In which country is the tertiary sector the most important and why?



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But how do we measure whether a sector is important or not?

1) Employees - it depends on how many people are employed in a sector.

2) Consumers – how much money do people spend on a sector



V
Sectors of
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industry

Primary

Secondary

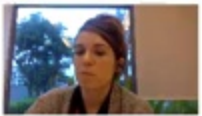
Tertiary

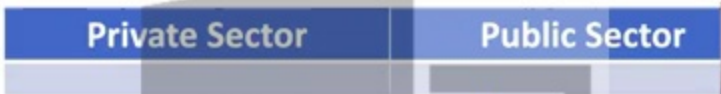
BY ACTIVITY

BY OWNERSHIP

Private Sector –
businesses are owned
by private individuals

Public Sector – businesses
are owned by government or
state agencies





Mixed economy = when the economy comes from public and private sector businesses



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