

# Topic 1.1: What Is a Business?

LO: 1.1.A, 1.1.B | Skill: 1.A, 2.A | Canvas: Task 1

## I. What Is a Business?

A business is an organization or entity that produces and distributes **products**, which can be **goods** And/or **services**.

Businesses can be **any size** — measured by geographic Reach, number of employees, or revenue.

They can serve customers **face-to-face** or **virtually**.

### Customer vs. Consumer

The **customer** is the individual or business that PURCHASES a good or service.

The **consumer** is the individual who USES the good Or service — whether or not they are the buyer.

Example: a parent buys a cereal that their kids eat.

- The parent is the **customer**.
- The kids are the **consumers**.

## II. Problem-Solution Fit

Businesses identify customer **problems, needs, and wants** — These are called **market opportunities**.

When a business develops a product that successfully addresses one Of those, it achieves **problem-solution fit**.

A critical rule of business:

Businesses cannot satisfy **all potential customers**. They must SELECT which problems and which customers to focus on.

### Why selection matters

- Trying to please everyone makes the product appeal to no one.
- Focused businesses can deliver a better solution to a specific group.
- Selection is the foundation of every other business decision (marketing, pricing, supply chain, etc.).

## III. Value

Value = the **worth or benefit** of a product to customers.

Value is from the customer's perspective. It's not measured in dollars the business spent; it's measured in what the customer gets.

## IV. Value Creation vs. Value Capture

### Value Creation

Occurs when businesses provide a product that **responds to customer problems, needs, and wants**.

In other words: you made something the customer actually wants.

### Value Capture

Occurs when businesses are able to charge customers a higher Price for a product than it **cost to produce**.

In other words: you got paid more than you spent.

### Both matter — but they're not the same thing

- A business that creates value but cannot capture it = **not sustainable** (will run out of money).
- A business that captures value without creating it = **cannot last** (customers will stop buying).
- Long-term businesses do BOTH.

## V. Quick Check

Café A: produces a \$4 drink for \$2 in cost. → Created value: **yes**. Captured value: **yes**.

Café B: sells the same \$4 drink but spent \$5 on rare ingredients. → Created value: **yes**. Captured value: **no**.

Café C: makes a drink no customers want. → Created value: **no**. Capture is **not possible** without creation.