

14.2 Producers and consumers

Our economy is made up of **producers** and **consumers**. A producer is an individual or organisation that creates or provides goods (physical things such as food and clothes) and services (activities or skills such as accounting or construction). A consumer, on the other hand, is someone who buys or uses these goods and services.



Source 1 Goods are physical objects that can be seen and held, such as a car or the petrol that the car runs on.



Source 2 A service refers to the skills, knowledge or effort that a person provides and that cannot be physically touched, such as the service provided by a mechanic.

Producers

People become producers when they make goods and services for others to consume. Most producers today take the form of businesses that operate to make a **profit**. This means that they produce goods and services in a way that earns them more money than it costs to run the business. This profit



Source 3 Producers provide the goods and services that consumers demand so that they can make a profit.

provides the owners of the business with an income, while also providing jobs to employees, goods and services for paying customers, and tax revenue for the government. Producers can be separated into different categories based on how they go about their business, including agricultural, industrial and service producers.

Agricultural producers

Agricultural or primary producers are perhaps the oldest and most important type of producer in any economy. They generally produce food: vegetables, fruits and other products that are grown from the land, as well as fish and animal-based products that also rely on nature.

Industrial producers

Industrial or secondary producers mainly manufacture goods in factories. Businesses that produce clothing, phones, cars and other manufactured goods are considered industrial producers.

Service producers

Service or tertiary producers provide skills, knowledge, effort or other **intangible** benefits to their customers. Banks, schools, accountants and lawyers are all examples of service producers.

Consumers

We are all consumers because we buy goods like food, clothes and phones, and use services such as those provided by doctors, hairdressers, and banks.

Businesses will also categorise consumers into different groups based on their behaviour. This helps the business work out how to best increase their sales to different consumers.

Loyal consumers

Loyal consumers are those that will continue to purchase goods and services from the same business over a long period of time. These customers are very valuable to a business as they account for a large number of sales. A business can encourage customers to stay loyal to the business by offering loyalty bonuses, maintaining high-quality products, and treating the customer well at all times.

Discount consumers

Discount consumers prefer to buy products that represent the best value for money. They often find sale items that have had their price reduced far more attractive than fully priced items. A business can attract such customers by having regular sales.

Impulsive consumers

Impulsive consumers are known for making less calculated decisions on how to spend their money than most others. They are often attracted to the flashy advertising and visibility of a product on offer. To attract impulsive consumers, a business should ensure that its store and the products it offers can easily be seen by as many consumers as possible.



Source 4 Virtually all Australians are consumers who purchase goods and services made by producers.

Needs-based consumers

Needs-based consumers only purchase products that they really require. They avoid spending money on goods or services that they don't feel are necessary at the given point in time. A business should ensure that it offers products that are needed by a wide range of consumers while making sure that consumers are aware that their products can fulfil certain needs.

Check your learning 14.2

Remember and understand

- 1 What is the difference between goods and services?
- 2 What are the three different types of producers?
- 3 Why do business categorise consumers into different types?

Apply and analyse

- 4 Provide one example of a business that would be considered:

- a an agricultural producer
- b an industrial producer
- c a service producer.

- 5 Give an example of a business that provides both goods and services.

Evaluate and create

- 6 Draw a cartoon showing how consumers and producers interact in the marketplace.