

## **Marketing Essentials © 2009**

### **Chapter 5**

#### **I-Study**

The characteristics of a free enterprise system are freedom of ownership, freedom to compete, freedom to make a profit, and freedom to take risks. Price competition involves competing with a lower price, while non-price competition involves factors other than price. The economic cost of unprofitable businesses includes loss of jobs, loss of revenue, and increased government costs. The benefits of successful firms include increased employment, better returns for investors, more sales and tax revenue, higher charitable donations, and more competition. Supply and demand interact to create price. As prices rise, demand drops. As prices increase, supply increases. The equilibrium point is where the supply and demand curves meet. At that price, consumers are willing to buy the same number of items as suppliers are willing to sell. Nonprofit organizations use the money they make (profit) to fund the causes identified in their charters. The public sector consists of all organizations and agencies funded by the government. The private sector consists of all nongovernmental agencies and businesses.