
Good
Morning

What is DEMAND?

- "Every want supported by the willingness and ability to buy" – constitutes demand for a particular product or services.....
- In other words, if a person wants a CAR and cannot pay for it. There is no demand for the CAR from his or her side............

- A product or service is said to have demand when **three conditions** are met:
- 1.Desire on the part of the buyer to buy.
- 2.Willing to pay for it
- 3,Ability to pay the specified price for it.
- Unless all these conditions are fulfilled, the product is not said to have any demand.

Nature of **DEMAND**

- The nature of demand is better understood when we see these variations as follows:
- **Consumer goods vs producer goods**
- **Autonomous demand vs derived demand**
- **Durable vs perishable goods**
- **Firm demand vs industry demand**
- **Short-run demand vs long-run demand**
- **New demand vs replacement demand**

Consumer goods vs producer goods

- The goods can be grouped under consumer goods and producer goods.
- Cg refers to such product and services, which are capable to satisfying human needs.
- Cg are those which are available for ultimate consumption.(give direct and immediate satisfaction)
- Example: bread, apple, rice, etc

- Pg are those which are used for further processing or production of goods/service to earn to INCOME.
- This goods yield indirect satisfactionand are used to produce cg
- Example: machinery , tractor etc.,
- The product may be both pg & cg
- **The farmer having 10 bags of paddy, 5 bags personel use, next 5 bags as SEEDS for the next crop.**
- **PADDY is both pg & cg**

- Pg are those which are used for further processing or production of goods/service to earn to INCOME.
- This goods yield indirect satisfactionand are used to produce cg
- Example: machinery , tractor etc.,
- The product may be both pg & cg
- **The farmer having 10 bags of paddy, 5 bags personel use, next 5 bags as SEEDS for the next crop.**

Autonomous demand vs derived demand

- Ad refers to direct demand for product and services.
- Example: the demand for the service of a super-specialty hospital can be consider ad
- Dd the demand for the product arises out of the purchase of a parent product.
- Example: the demand for hotel around that hospital is called dd.
- A demand for houses is autonomous whereas a demand for these input is derived.

Durable vs perishable goods

- Durable goods are those goods that give service for relatively long period.
- Example: rice, sugar etc.,
- The life of perishable goods is very small –a few hours or days.
- Example: vegetable, milk, fish etc.,

Firm demand vs industry demand

- A firm is a single business unit.
- The quantity of goods demanded by a single firm is called fir demand.
- Example: a construction company may use 100 tonnes of cement during the month….fd
- The group of firm carrying on similar activities.
- The quantity demanded by the industry as a whole is called industry demand.
- Example: the construction industry particular state may have used 10 million tonnes.

Short-run demand vs long-run demand

- The demand for a particular product or service in a given REGION for a particular DAY can be viewed as a shor-run demand.
- Example: available taste and technology
- The demand for a longer period for the same region can be viewed as a long-run demand.
- Example: changes in design and technology

New demand vs replacement demand

- The demand for a new product and it is in addition to the existing stock.
- Example: new model car
- The item of purchase to maintain the asset in good condition
- Example: replacement of car spare parts

Total markets vs Segment market

- **The total demand for a product in the region is the total market demand**.
- Example; sugar, rice
- The demand for the sugar from the sweet industry from the region is the segment (specific criteria)market demand.
- Example: age, gender, income,

Factors determining **DEMAND**

- The following factor determine the demand for a given product:
- 1.Price of the product **(P)**
- 2.Income level of the consumer **(I)**
- 3.Tastes and preferences of the consumer **(T)**
- 4.Prices of related goods which may be substitutes/complementary **(P_R)**
- 5.Expectation about the prices in future **(E_P)**

- 6.Expectation about the incomes in future **(E_I)**
- 7.Size of population **(S_P)**
- 8.Distribution of consumers over different region **(D_C)**
- 9.Advertising efforts **(A)**
- 10.Any other factor capable of affecting the demand **(O)**

DEMAND function

- Demand function describe the relationship between one variable and its determinants.
- It describe the quantity of goods bought at alternative prices of a goods and related goods. **Alternative income levels and alternative values of other variables affecting demand.**
- The demand function for a goods relates to the quantity of a goods that consumer demand during the given period to the factor that influenced demand.