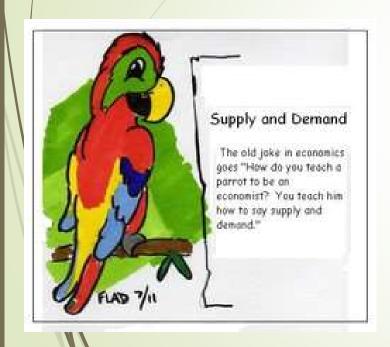
Demand Analysis





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Demand

When clients want a product and are willing to pay for it, we say that there is a demand for the specific product.

Need is not demand.

Effective economic demand requires not merely need but corresponding purchasing power.



Example of Demand: Andrew's Grape Jam

Andrew and his mother, Mrs. Jeffries, decided to earn extra money by selling grape jam at the local craft market. Mrs. Jeffries would buy the ingredients and make the jam. Andrew would help his mother seal it in jars and they planned to sell it at the market on Saturday mornings.

Before starting to boil the jam, they decided to test the market to see whether people would be interested in buying their product. Mrs. Jeffries therefore boiled a few jars of jam and asked their friends and family if they were interested in buying it and how much they would be willing to pay for it. Everyone was encouraged to taste some of the jam before making a decision.

R6

This is the demand curve

16 Number of jars

The results Mrs. Jeffries received is are illustrated in the graph which indicates the demand at different prices.

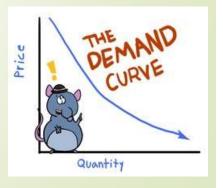
The 'Demand for a commodity, at a given price, is the quantity of it which will be bought per unit of time at that price.

In economics, demand refers to the buying behavior of a household. What does this mean?



Basically, economists try answering the following three phenomenon

- 1. Why people buy what they buy
- 2. How much they're willing to pay
- 3. How much they want to buy



Jabong

•In Jan 2020, Jabong's daily active users dropped by 10.61% with app downloads getting reduced by 12.71%. This leads to a decrease in their sales as well.



Klozee

Klozee offered pre-owned branded and designer apparel and renting garments at one-tenth of the retail price.

The rental start-up shut shop within six months of raising its maiden round of funding.

Why did Klozee failed?

With vehemently low demand and sales the startup failed to gain scale.



Hike Messenger

- India's own social networking platform Hike shut down its messaging service by shifting its focus to two new social products: Rush and Vibe.
- Launched in Dec 2012, Hike targeted youth below age 30 offering instant messaging and file sharing.
- By 2015 the company acquired more than 70 million users. Because of It's popularity, Hike kept cool smart features like free unlimited SMS called Hike Offline, in-app news, cricket scores, personalized stickers store unlike any other app over time.
- Moreover, the company was being hailed as the youngest startup to get a unicorn title in India, with a valuation of over 1 Billion within just 4 yrs of launch.

Despite all this, on January 6, 2021, Hike informed its users that it will be shutting down its messaging platform.

Founding Date 2012 Hike Sector/Industry Social network Reason of Failure Intense competition, Complex application

Why did Hike messenger failed?

- In early days, the hike app was too complex to use, had too many features, used a lot of data. The message feature was not instant and had glitches.
- On the other hand applications like Whatsapp had an effective messaging feature, easy to install and with less data load.
- Backed by internet giant Facebook, Whatsapp removed a monetary charge from its customers, added more features like emojis, call options, posting status and increased networking.
- Hike lacked strong networking effect unlike it's competitors.



- 1. Sales forecasting
- 2. Pricing of product and services
- 3. Marketing and advertising expenditure
- 4. Manufacturing decisions
- 5. Expansion planning

- Thus, demand for a commodity or service is dependent upon
 - a. Its utility to satisfy want or desire
 - b. Willingness to pay
 - c. Capability of the prospective consumer to pay for the good or
 - service.

In nutshell therefore we can state that -

When desire is backed by willingness and ability to pay for a good or service then it becomes Demand for the good or service.

Determinants of Demand

Size, Composition & income of the population Price of the commodity

Demand

Level of income of the household

Tastes and preferences of consumers

Price of related commodity

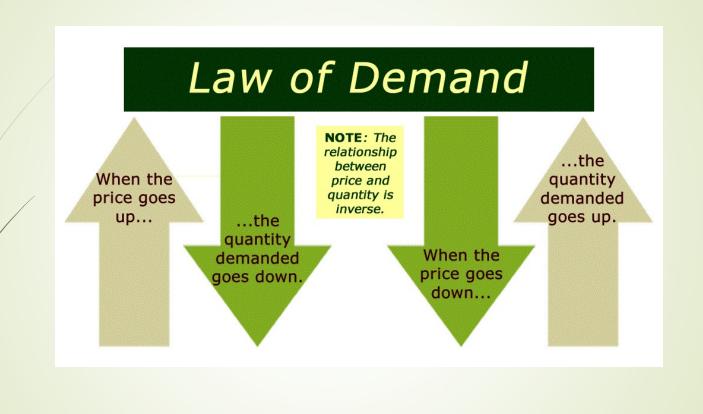
Law of demand

It indicates the relationship between the price of the commodity and the quantity demanded in the market.

This law is inversely related to price and the quantity demanded. The people everywhere would purchases more quantity of a commodity at lower price and less quantity at higher price.

Assumptions:

- People's income being unchanged
 People's tastes remain unchanged
 Prices of other related goods remain the same
 No substitutes for the commodity
- 5. No expectations of further changes in the price of the commodity



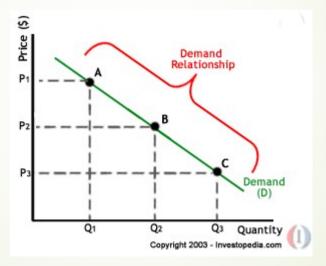
Demand Schedule

A demand schedule is a list of various quantities of a commodity demanded at different prices. Demand schedule may be the 'Individual demand schedule or a Market demand schedule.

Demand Schedule		
Price of Apple (Per Kg)	Quantity Demanded	
100	200	
90	300	
80	400	
70	500	
60	600	
50	700	

Demand Curve

The graphical representation of the demand schedule is known as a demand curve.



EXCEPTIONS TO THE LAW OF DEMAND

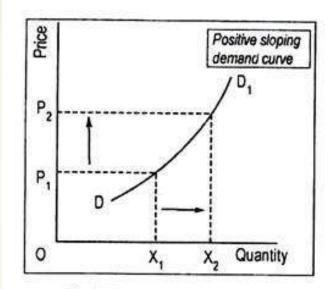


Fig. 2.3: Exceptional Demand Curve

1. Normal Goods

- As income increases, demand increases
- As income falls, demand falls
- Ex: Luxury cars, Sea Food, jewelry, homes

2. Inferior Goods

- As income increases, demand falls
- As income falls, demand increases



4.Speculative effect

5. Fear of shortage

1. Giffen paradox

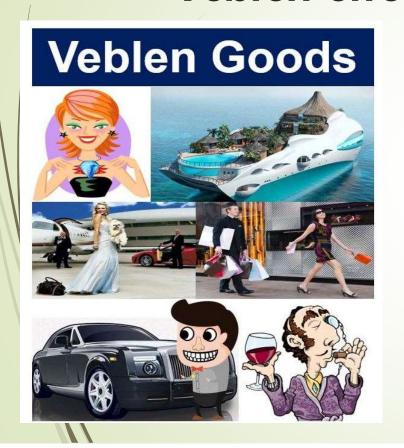
 Giffen goods are low-priced products, the demand for which rises along with the price. These products are necessary to fulfill the need for food, and they have only a few substitutes. Bread, wheat, and rice are examples of Giffen goods.



■ The Giffen Paradox is named after Sir Robert Giffen and is an exception to the Law of demand. He observed that when the price of bread increased, then the low-paid British wage earners bought more of bread and not less. Since the wage earners diet was mainly bread, with the increase in price they were forced to cut down their consumption of meat and other expensive food items. Thus to maintain their food intake, they bought bread even at higher prices. This phenomena was referred to as 'Giffens Paradox'.



Veblen effect



'Veblen' has explained the exceptional demand curve through his doctrine of conspicuous consumption. Rich people buy certain good because it gives social distinction or prestige for example diamonds are bought by the richer class for the prestige it possess.

Ignorance

 Sometimes, the quality of the commodity is judged by its price. Consumers think that the product is superior if the price is high. As such they buy more at a higher price.

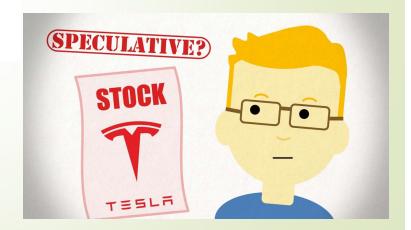




Jude Bellingham has a torn boot in Borussia Dortmund's game against Cologne, prompting a furious reaction from Liverpool transfer target

Speculative effect

• The demand for a product can be affected by speculative demand. Here, potential buyers are interested not just in the satisfaction they may get from consuming the product, but also the potential rise in market price leading to a capital gain or profit



Fear of shortage

 During the times of emergency e.g war people may expect shortage of a commodity. At that time, they may buy more at a higher price to

keep stocks for the future.



Demand function

- A function expresses the relationship between two or more variables, such as, prices and the physical quantities demanded.
- In a given market, in a given period of time, the demand function for a commodity is the relation between the various quantities of the commodity that might be bought and the determinants of those quantities.

 \triangleright Q_d = f(P_o, P_s, P_c, A, Y_d, T, C, E, POP)

Where

Q_d – Quantity demanded of product 'A'
P_o – Price of product 'A'
P_s – Price of a substitute product
P_c – Price of a complementary product

A – Advertising

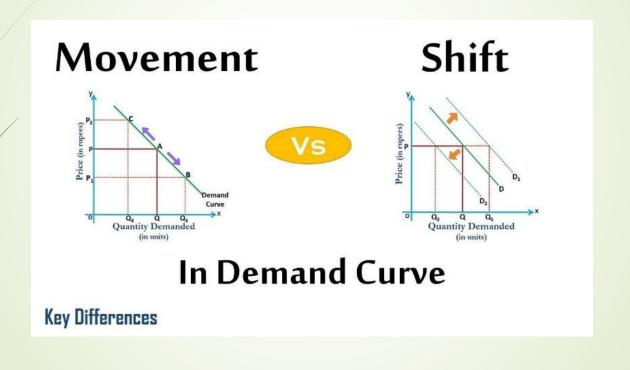
Y_d - Income level of consumers

Taste and preference

C – cost and availability of credit

E – expectations of future price rise POP – changes in population

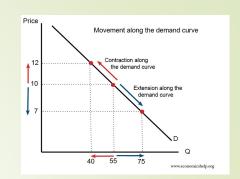
SHIFTS IN DEMAND



Due to changes in Price of the commodity

(Other factors remaining the same)

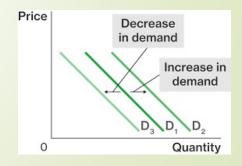
- a) Extension of demand
- b) Contraction of demand



Due to changes in other factors other than Price – Shift in demand

(Price of the commodity remaining the same)

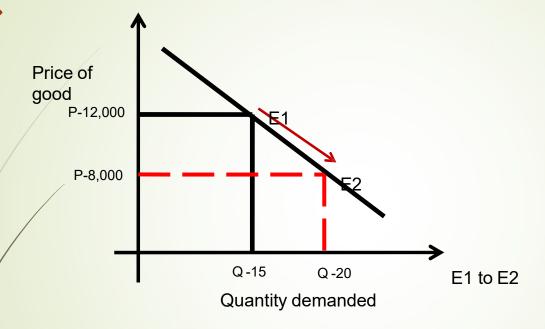
- a) Increasing demand Upward shift in demand
- b) Decreasing in demand Downward shift in demand



1. Due to changes in Price of the commodity

An **extension of demand** is **a** rise in the quantity demanded because **the price has changed**, other factors remaining the same.

Price	Quantity
12,000	15 unit
8,000	20 unit

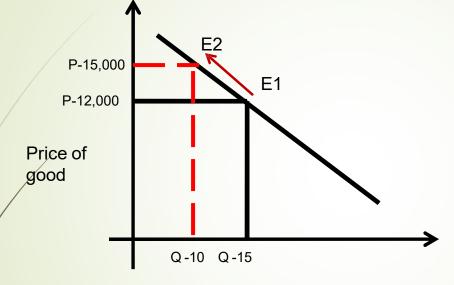


Price	Quantity
12,000	15 unit
8,000	20 unit

An **extension of demand** ---- E1 to E2 is **an** rise in the quantity demanded because **the price has changed**, other factor remaining the same.

A CONTRACTION of demand is a fall in the quantity demanded because the price has changed, other factor remaining the same.

Price	Quantity
12,000	15 unit
15,000	10 unit



Price	Quantity
12,000	15 unit
15,000	10 unit

Quantity demanded

A CONTRACTION of demand is an fall in the quantity demanded because *the price has changed*, other factor reaming the same.

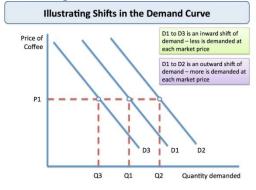
Extension of demand - Contraction of demand

- 1. Are due to changes in **Price** of the commodity
- 2. The change taken place on the same demand curve **Movement along the** demand curve.
- 3. Leads to changes on quantity demanded

Due to changes in factors other than Price – **Shift in demand**

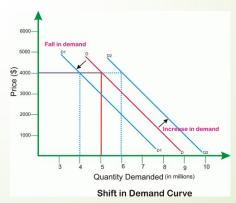
(Price of the commodity remaining the same)

A shift in demand curve refers to the effect in demand due to changes in a factor other than price.

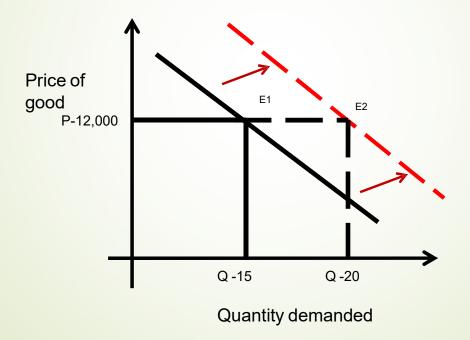


(Price of the commodity remaining the same)

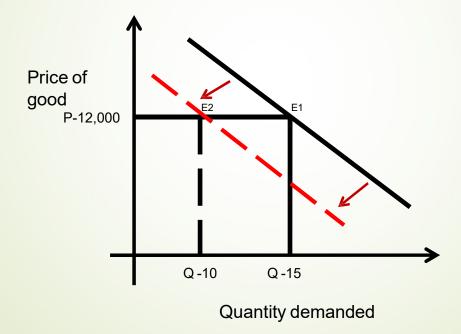
- a) Increasing demand Upward shift in demand
- b) Decreasing in demand Downward shift in demand



a) Increasing demand – Upward shift in demand



b) decreasing demand – downward shift in demand



- Shift in demand could take place due to the changes in
- 1. Income of the consumer
- 2. Price of related goods
- 3. Advertisement
- 4. Taste and preference

