

Demand

In our daily life, we often hear the word 'demand' for goods or services. In the business world, the demand of a product determines its value and the profit or loss of a company. So, today in this article, we will understand 'what actually is demand?' and 'why is it so important for a business?'

What is demand?

Demand simply means a consumer's desire to buy goods and services without any hesitation and pay the price for it. In simple words, demand is the number of goods that the customers are ready and willing to buy at several prices during a given time frame. Preferences and choices are the basics of demand, and can be described in terms of the cost, benefits, profit, and other variables.

The amount of goods that the customer modestly relies on the cost of the commodity, the cost of other commodities, the customer's income, and his or her tastes and proclivity. The amount of a commodity that a customer is ready to purchase, is able to manage and afford at provided prices of goods, and customer's tastes and preferences are known as demand for the commodity.

Suggested reading: *Elasticity of Demand* (<https://byjus.com/commerce/elasticity-of-demand/>)

The demand curve is a graphical depiction of the association between the price of a commodity or the service and the number demanded for a given time frame. In a typical depiction, the cost will appear on the left vertical axis. The number (quantity) demanded on the horizontal axis is known as a *demand curve* (<https://byjus.com/commerce/demand-curve-and-the-law-of-demand/>).

Determinants of Demand

There are many determinants of demand, but the top five determinants of demand are as follows:

Product cost: Demand of the product changes as per the change in the price of the commodity. People deciding to buy a product remain constant only if all the factors related to it remain unchanged.

The income of the consumers: When the income increases, the number of goods demanded also increases. Likewise, if the income decreases, the demand also decreases.

Costs of related goods and services: For a complimentary product, an increase in the cost of one commodity will decrease the demand for a complimentary product. Example: An increase in the rate of bread will decrease the demand for butter. Similarly, an increase in the rate of one commodity will generate the demand for a substitute product to increase. Example: Increase in the cost of tea will raise the demand for coffee and therefore, decrease the demand for tea.

Consumer expectation: High expectation of income or expectation in the increase in price of a good also leads to an increase in demand. Similarly, low expectation of income or low pricing of goods will decrease the demand.

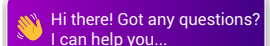
Buyers in the market: If the number of buyers for a commodity are more or less, then there will be a shift in demand.

You may also want to know: *What are the Shifts in the Demand Curve?*
(<https://byjus.com/commerce/shifts-in-the-demand-curve/>)

Types of Demand

Few important different types of demand are as follows:

1. **Price demand:** It refers to various types of quantities of goods or services that a customer will buy at a quoted price and given time, considering the other things remain constant.
2. **Income demand:** It refers to various types of quantities of goods or services that a customer will buy at different stages of income, considering the other things remain constant.



3. **Cross demand:** This means that the product's demand does not depend on its own cost but depends on the cost of the other related commodities.
4. **Direct demand:** When goods or services satisfy an individual's wants directly, it is known as direct demand.
5. **Derived demand or Indirect demand:** The goods or services demanded or needed for manufacturing the goods and satisfying the consumer indirectly is known as derived demand.
6. **Joint demand:** To produce a product there are many things that are related to each other, for example, to produce bread, we need services like an oven, fuel, flour mill, and more. So, the demand for other additional things to produce a product is known as joint demand.
7. **Composite demand:** A composite demand can be described when goods and services are utilised for more than one cause. Example: Coal

Must read: *What is indifference curve analysis?* (<https://byjus.com/commerce/deriving-a-demand-curve-from-indifference-curves-and-budget-constraints/>)

The Law of Demand

The law of demand is interpreted as 'the quantity demanded of a product comes down if the price of the product goes up, keeping other factors constant.' In other words, if the cost of the product increases, then the aggregate quantity demanded decreases. This is because the opportunity cost of the customers increases that leads the customers to go for any other substitute or they may not purchase it. The law of demand and its exceptions are really inquisitive concepts.

Consumer proclivity theory assists us in comprehending the combination of two commodities that a customer will purchase based on the market prices of the commodities and subject to a customer's budget restriction. The amount of a commodity that a customer actually purchases is the interesting part. This is best elucidated in microeconomics utilising the demand function.

Also, read: *Factors affecting the demand of a commodity*
(<https://byjus.com/commerce/meaning-of-demand-and-factors-affecting-demand/>)

This is the detailed and elucidated information about the concept of demand. To learn more about such concepts, stay tuned to BYJU'S.

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- Central Problems of an Economy (<https://byjus.com/commerce/central-problems-of-economy-study-material/>)

Frequently Asked Questions on Demand

Q1 What are two types of demand?

Two types of demand are:

1. Joint demand
2. Composite demand

Q2 Who developed the concept of demand?

Alfred Marshall developed the concept of demand.

Q3 What are the 6 factors that affect demand?

The factors that affect demand are as follows:

1. Price of product
2. Consumer's Income.
3. Price of Related Goods.
4. Tastes and Preferences of Consumers.
5. Consumer's Expectations.
6. Number of Consumers in the Market.

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Q4 What is the basic law of demand?

Basic law of demand states that price and quantity demanded are inversely related to each other while keeping all other factors constant. Increase in price lowers the demand for any goods or services.

Q5 What increases demand for a normal good?

Demand for normal goods increases with respect to rise or increase in consumer's income.

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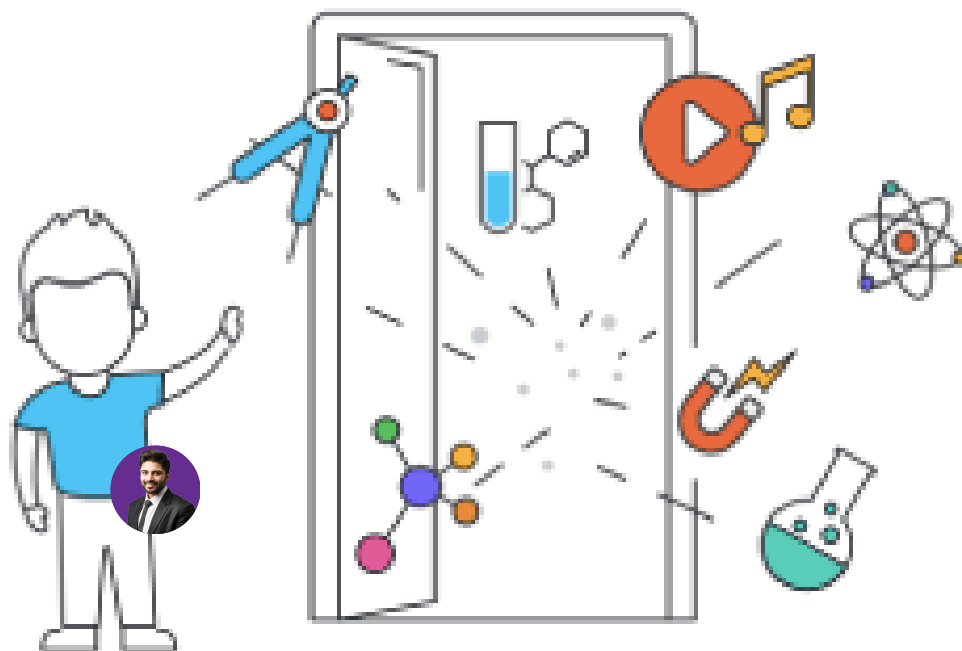
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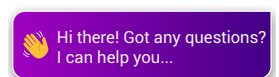
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