MODULE 1
Introduction to the subject: Micro and Macro Economics, Relationship between Science, Engineering, Technology and Economic Development. Production Possibility Curve, Nature of Economic Laws.

MODULE 2
Time Value of Money: concepts and application. Capital budgeting; Traditional and modern methods, Payback period method, IRR, ARR, NPV, PI (with the help of case studies)

MODULE 3
Meaning of Demand. Law of Demand, Elasticity of Demand; meaning, factors effecting it and its practical application and importance. Demand forecasting (a brief explanation)

MODULE 4
Meaning of Production and factors of production, Law of variable proportions and returns to scale. Internal and external economies and diseconomies of scale. Concepts of cost of production, different types of costs; accounting cost, sunk cost, marginal cost, Opportunity cost. Break even analysis, Make or Buy decision (case study). Relevance of Depreciation towards industry.

MODULE 5
Meaning of market, types of market, perfect competition, Monopoly, Monopolistic, Oligopoly. (main features). Supply and law of supply, Role of demand and supply in price determination.

MODULE 6
Indian Economy, nature and characteristics. Basic concepts; fiscal and monetary policy, LPG, Inflation, Sensex, GATT, WTO and IMF. Difference between Central bank and Commercial banks

TEXT/ REFERENCES BOOKS

1. **Jain T.R., "*Economics for Engineers*", VK Publication**
2. **Chopra P. N., "*Principle of Economics*", Kalyani Publishers**
3. **Dewett K. K., "*Modern economic theory*", S. Chand**
4. **H. L. Ahuja., "*Modern economic theory*", S. Chand**
5. **Dutt Rudar & Sundhram K. P. M., "*Indian Economy*"**
6. **Mishra S. K., "*Modern Micro Economics*", Pragati Publications**
7. **Pandey I.M., "*Financial Management*"; Vikas Publishing House**
8. **Gupta Shashi K., "*Management Accounting*", Kalyani Publication**

Meaning and Types of Market

<u>Definition</u>

Market is defined as place or point at which buyers and sellers negotiate their exchange of **well defined products or services** .

Meeting point of buyers and sellers is not necessarily a geographical one.

<u>Features of Market</u>

i. **Commodity** (product or services)

ii. **Buyers and Sellers**

iii. **Area** – there should be an area in which buyers and sellers of a commodity exist. It is not essential that the buyers and sellers come to a particular place to transact business.

Meaning and Types of Market

Features of Market

iv. Close Contact – there should close contact /communication between buyers and sellers – not necessarily by physical contact.

v. Competition – at least some amount of competition is expected in a market place.

Extent of Market

Markets may be geographically defined as Local, State level, Notional or International depending on the area of the coverage. The factors contributing towards that are:

i. Nature of Commodity – durable goods or services can have wide presence. Much would depend on connectivity and transportation infrastructure.

Meaning and Types of Market

Extent of Market

ii. **Size of Production**– large scale production can only meet wider demands

iii. **Extent of Demand –** a commodity with universal demand like Gold will have a wider market

iv. **Means of Communication and Transport –** a proper infrastructure is a must for industry to grow. For eg. Air Cargo in the modern market have contributed a lot towards widening the market which earlier was either by road or by sea.

v. **Peace and Security** – trade in any country / place is subject to market friendly environment

Meaning and Types of Market

Extent of Market

vi. **Currency and Credit System** – in the absence of a Common Global Currency – trade depends a lot on the Reserve Currencies and the currency and credit system of the country. With establishment of World Trade Organizations, World Bank and other International Financial / Regulatory bodies, world trade has expnded.

vii. **Trade Polices of the Country** – many countries follow restrictive trade policies to protect their home grown industries.

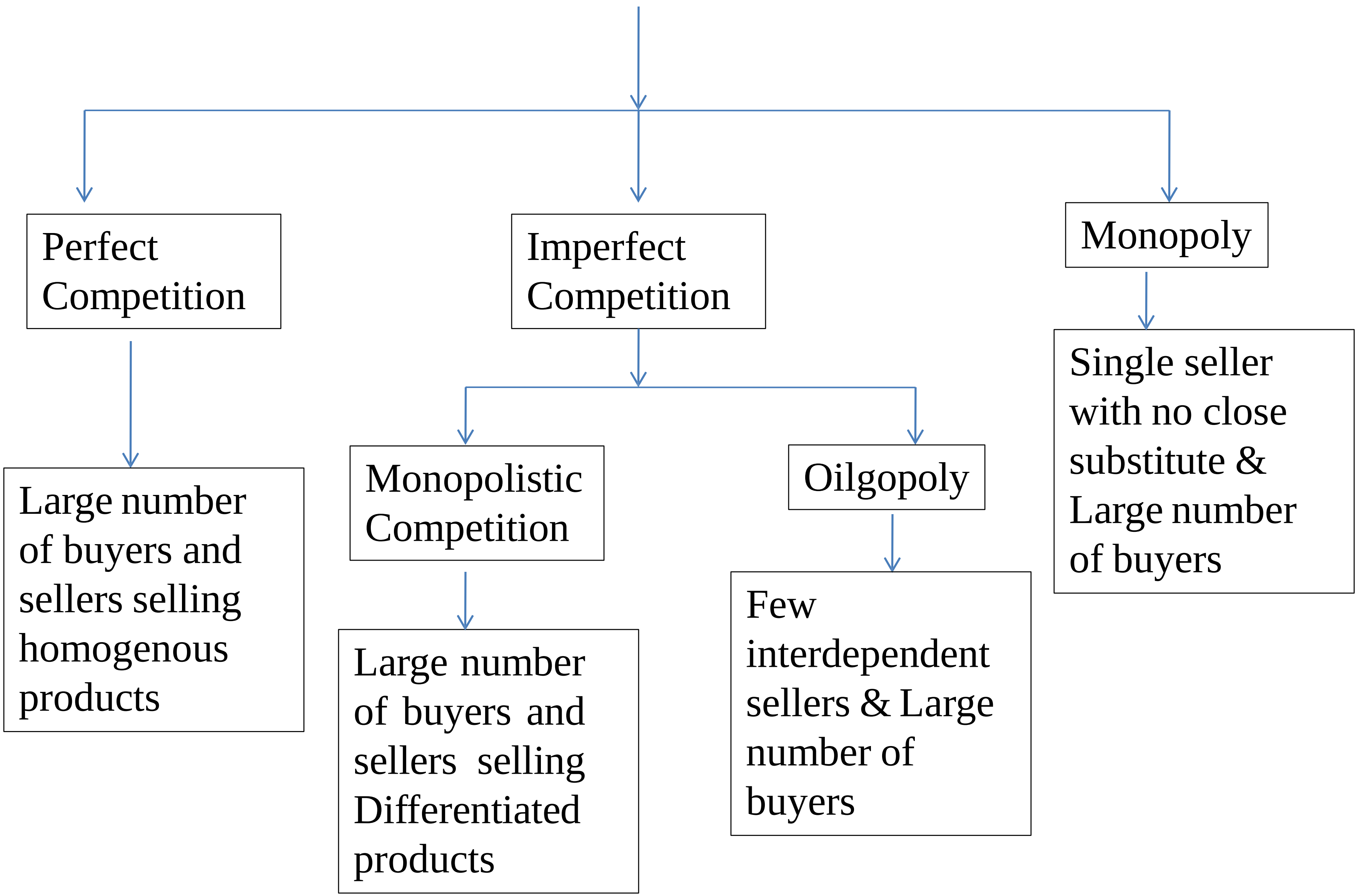
Types of Market

Market Structure & its Types

Market structure refers to the characteristics of a market that influence the behaviour and performance of firms that sell in the market.

- Number and size of buyers and sellers of the product – degree of concentration of buyers and sellers
- Type of product bought and sold (homogeneous or differentiated)
- Degree and mobility of resources – freedom of movement of goods and factors of production
- Degree of knowledge that economic agents have of prices and costs
- Demand and supply conditions
- Conditions of entry into the market

Types of Market



Perfect Competition:

Perfect competition prevails in the market when demand for the output of each of the producer is perfectly elastic.

Features of Perfect Competition

- Large number of buyers and sellers** – no individual seller can influence price
- Homogenous product – identical so no consumer preference
- Free entry and exit to industry
- Sellers are price takers – have to accept the market price
- Perfect information available to buyers and sellers
- Perfectly elastic demand curve implying that at a particular point only One Price prevails in the market depending on demand & supply
- Perfect mobility of resources

Examples are - Financial markets – stock exchange, currency markets, bond markets, Agriculture etc.

Internet related industries. The internet has made many markets closer to perfect competition because the internet has made it very easy to compare prices, quickly and efficiently (perfect information).

Monopoly

- A *monopoly* (from the Greek word “mono” meaning single and “polo” meaning to sell) is that form of market in which a single seller sells a product (good or service) which has no substitute.

- Monopoly exists when there is *no close substitute* to the product and also when there is a single producer and seller of the product.
    - e.g., Indian Railway is a monopoly, since there is no other agency in the country that provides railway service.
    - Electricity companies
    - Oil Companies like IOCL, BP, HP
    - Transport like bus
    - Microsoft on operating systems

Monopoly - Features

- **Single Seller** – Market is under control of a single firm.
- **No close Substitute** –product being sold has no close substitute
- **High entry barriers -** barriers may be legal, natural or institutional
- **Price maker** - Firm controls price or output/supply
- **Abnormal profits in long run**
- **Possibility of price discrimination** – product can be sold at different price to different customers based on:
  - **Purchasing power – urgency, quality conciousness, indispensability etc.**
  - **Quantity bought**
  - **Customers from different market conditions**
- **Limited consumer choice**

Types and Sources of Monopoly

Types of Monopoly

- Pure monopoly – industry is the firm
  - e.g., Indian railways, Aluminium Company of America, etc.
- Actual monopoly – where firm has >50% market share.
  - Post office, Ration shops, Arm shops, etc.
- Natural Monopoly – exists in case of public utilities
  - Gas, electricity, water, local transportation, etc.
- Regional Monopoly
  - Mumbai Taxi industry, Delhi Metro, etc.

Sources of Monopoly

- **Government policies and legal provisions** – Indian Railways, franchise : Electricity, Gas, Water, Telephone, Petrol outlet
- **Patents or copyrights** – through Research & Development
- **Control of an essential input**
- **Natural monopoly** – as a result of economies of scale – Government regulates natural monopoly so that sellers do not exploit consumers by charging high prices
- **Advertising and Brand Loyalties of Established Firms** – e.g. Cadbury Chocolates

CAUSES OF MONOPOLY

1. Product differentiation
2. Strategic barriers – like limit pricing
3. Government Regulation – licensing – gas company, electricity undertaking
4. Capital requirements
5. Possession of certain scarce raw materials, patent rights etc.
6. Ignorance laziness and prejudice of buyers may create monopoly in favor of a particular producer.

ADVANTAGES OF MONOPOLY

1. Innovation Oriented
2. It may encourage Research and Development.
3. Gain of economies of scale

DISADVANTAGES OF MONOPOLY

1. Restricted consumer choice
2. Power of market in few hands
3. High prices as no control on monopolist
4. Not good for society / Risk to economy
5. Misallocation of resources

Monopolistic competition

- Introduced by Joan Robinson (*The Economics of Imperfect Competition*, 1933) and Edward H. Chamberlin (*The Theory of Monopolistic Competition*, 1933)
- It is more realistic form of market structure because it is difficult to have products which have No Close Substitutes or are perfect substitutes. Therefore few monopoly or perfect competition exists.
- It is a market situation in which there are many producers competing against each other, but selling products that are differentiated from one another (e.g. by branding or quality) and hence are not perfect substitutes. In monopolistic competition, a firm takes the prices charged by its rivals as given and ignores the impact of its own prices on the prices of other firms
- A combination of perfect competition and monopoly.
  - *Imperfect competition* because a large number of sellers sell *heterogeneous* or *differentiated* products and buyers have preferences for specific sellers.
  - *Monopolistic,* because each of these sellers makes the product unique by some differentiation and has control over the small section of market, *just like a monopolist.*

Monopolistic Competition – Features

- Large number of buyers and sellers
- Heterogeneous products.
  - *A differentiated product enjoys some degree of uniqueness in the mindset of customers, be it real, or imaginary.*
- Unrestricted entry and exit.
- Non Price competition – sellers try to compete on the basis other than price like aggressive advertising, product development, better distribution etc.
- Independent decision making – pricing and output policy of each firm is independent of the other. No strong rivalry.
- Selling costs exist
- Imperfect knowledge.

Monopolistic or Imperfect Competition

- Restaurants
- Plumbers/electricians/local builders
- Private Schools
- Insurance brokers
- Health Clubs
- Hairdressers
- Estate Agents

Distinction between Perfect and Monopolistic Competition

Perfect Competition	Monopolistic Competition
1. Large number of firms – no one firm can influence the market	1. Many firms – each having a small share in market
2. Homogeneous Product	2. Product differentiation
3. Perfect competition among sellers	3. Competition coexists with monopoly
4. Price taker – price strictly decided by demand and supply	4. Price maker – firm can have independent pricing policy
5. Perfect mobility of factors of production	5. Factors of production are not perfectly mobile
6. Selling cost is minimal – since firms produce homogenous products, aggressive advertising is not required	6. Significant impact of advertisement on the sale of commodity resulting into substantial selling cost

Distinction between Perfect and Monopolistic Competition

Monopoly	Monopolistic Competition
1. Single firm	1. Many firms – each having a small share in market
2. Unique product	2. Product differentiation – many close substitutes
3. Price discrimination is possible	3. Price discrimination is not possible at individual firm level
4. Selling cost is minimal	4. Significant impact of advertisement on the sale of commodity resulting into substantial selling cost
5. Entry restricted	5. Free entry

OLIGOPOLY (OLIGOPOLISTIC COMPETITION)

Oligopoly is defined as a market structure in which there are a few sellers selling homogenous or differentiated products. Oligopoly is a market structure with a small number of firms, none of which can keep the others from having significant influence. The concentration ratio measures the market share of the largest firms. A monopoly is one firm, a duopoly is two firms and an oligopoly is two or more firms.

It may be of two types-

- Pure oligopoly - Homogeneous product
  - For e.g. steel and aluminium
- Differentiated oligopoly - Differentiated product
  - For e.g. cars, computers, scooters, cigarettes, liquors, telecommunications, etc.
- Duopoly- two sellers
  - Coca Cola and Pepsi

FEATURES OF OLIGOPOLY

1.Small no. of large firms, few sellers

2.Each seller knows his competitors individually in each market.

3.Any increase or decrease in the output will affect the market price. or The firms are independent.

4.These firms apply theory of group behavior to avoid the competition.

5.produce identical or differentiated products.

6.Direct impact of advertising and selling costs.

Sources or Reasons for the Existence of Oligopoly

- Economies of scale: Small firms cannot secure the economies of large scale production as compared to large firms
- Large capital investment: The number of firms in an industry may be small due to the large requirements of capital.
- Legal Restriction and Patents: In public utility sector, the entry of new firms is closely regulated through the grant of certificate by the state. Another factor for the emergence of oligopoly is the patent right which a few firms acquire in matter of some goods.
- Control of a raw material or resource: A few firms may control some indispensable resources which may enable them to secure several advantages in costs over all others.
- Mergers and Acquisition: Many oligopolies have been created by combining two or more independent firms.
- Brand loyalty
- Government franchise
- Limit pricing

Type of market	Number of firms (sellers)	Nature of product	Number of buyers	Freedom of entry and exit	Price Elasticity of Demand	Degre of Control over Price	Examples
Perfect competition	Very Large	Homogeneous (undifferentiated)	Very Large	Unrestricted	Infinite	None	Agricultural commodities, unskilled labour
Monopolistic competition	Many	Differentiated (real or fancy)	Many	Unrestricted	Large or small	Some	Retail stores, detergents, restaurants
Oligopoly	Few	Undifferentiated or differentiated	Few	Restricted	Small	Some	Cars, computers, universities
Monopoly	Single	Unique	Many	Restricted	Zero	Very High	Agricultural commodities, unskilled labour


PEPSICO
GENERAL MILLS
Kellogg's
Associated British Foods plc
Nestlé
Mondelēz International
(formerly Kraft Foods)
Coca-Cola
Unilever
DANONE
MARS
WRIGLEY
WONKA
QUAKER
Cadbury
GLACÉAU
Santitas
FrescAvena
Sabritones
Gamesa
Chester's Puffcorn
Funyuns
Stacy's
Cracker Jack
Spitz
Baken-ets
Matador
Propel Zero
Citrus Blast
Mist Natural
Aquafina
SoBe
No Fear
Ocean Spray
IZZE
Brisk
Mountain Dew
AMP Energy
Lóza
Copella
Gatorade
Mug Root Beer
7UP
Tropicana
pepsi
Rice Roni
Pasta Roni
mothers
Chewy
Paw Ridge
Quaker Stila
Scott's Porage Oats
Aunt Jemima
King Vitaman
Quisp
Harvest Crunch
Life
Nut Harvest
Cheetos
Rold Gold
Ruffles
Sun Chips
Walkers
Smiths
Tostitos
Fritos
Munchies
Miss Vickie's
Doritos
Lay's
Nerds
SweeTarts
Laffy Taffy
Runts
Pixy Stix
Gobstopper
Bottle Caps
Fun Dip
Polo
Rowntree's
Totino's
Hamburger Helper
Old El Paso
Bugles
Bisquick
Progresso
Green Giant
Gushers
Betty Crocker
Muir Glen Organic
Wanchai Ferry
Nature Valley
Force
Golden Nuggets
Cinnamon Toast Crunch
Wheaties
Cocoa Puffs
Total
Kix
Lucky Charms
Cascadian Farm
Chocapic
Clusters
Reese's Puffs
Oatmeal Crisp
Cini Minis
Chex
Oats & More
Golden Grahams
Trix
Cookie Crisp
Cheerios
Fiber One
Count Chocula
Fitness
Häagen-Dazs
yoplait
Liberté
Jus-Rol
Pillsbury
Crunchy Nut
Special K
Start
Cinnabon
Vector
Country Store
Fruit 'n Fibre
Coco Pops
Pops
Just Right
Bran Flakes
Honey Loops
Product 19
Optivita
All-Bran
Müslix
Crispix
FiberPlus
Toppas
Apple Jacks
Krave
Honey Smacks
Raisin Bran
Corn Flakes
Froot Loops
Tresor
Rice Krispies
Frosted Flakes
Mini-Wheats
Gripz
Toasteds
Zesta
Fudge Shoppe
Wheatables
Sandies
E.L. Fudge
Chips Deluxe
Town House
Country Style Oatmeal
Wheat Thins
Cheez-It
Eggo
MorningStar
Pringles
Pop-Tarts
Kashi
Nutri-Grain
Keebler
Burgen
Jordans
Kingsmill
Allinson
Ryvita
Sunblest
Spice Islands
Durkee
Twinings
Silver Spoon
Billington's
Blue Dragon
Patak's
Karo
Mazola
Ovaltine
Argo
Fleischmann's Yeast
Maynards
Fudge
Picnic
Time Out
Boost
Chomp
Wispa
Brunch Bar
Snack!
Dream
Starbar
Bournville
Sour Patch
Curly Wurly
Flake
Double Decker
Twirl
Trebor
Crispello
Bubbly
Crispy Crunch
Cherry Ripe
Dairy Milk
Caramilk
Crunchie
Stimorol
Halls
Chiclets
Clorets
Bubbaloo
Certs
Stride
Trident
Dentyne
Oreo
Social Tea
Nutter Butter
Fig Newtons
Chips Ahoy!
belVita
Mallomars
LU
Nilla
Teddy Grahams
Honey Maid
Cameo
Ginger Snaps
Nabisco
Triscuit
Wheat Thins
Ritz
Premium
Air Crisps
SnackWell's
Cheese Nips
dairylea
Velveeta
Philadelphia
Handi-Snacks
Easy Cheese
Simmenthal
Tang
Tassimo
Maxwell House
Kenco
Café HAG
Onko
Gevalia
Jacobs
Côte d'Or
Milka
Terry's Chocolate Orange
Toblerone
Carte Noire
Suchard
Daim
Green & Black's Organic
Prince
Milkybar
Aero
Oh Henry!
Rolo
Coffee Crisp
Crunch
KitKat
Goobers
Butterfinger
After Eight
Mirage
Toffee Crisp
Lion
Smarties
Raisinets
Black Magic
Cailler
100 Grand
Nuts
BabyRuth
Quality Street
Nips
Yorkie
Caramac
Mack
Animal Bar
Munchies
Chunky
Walnut Whip
California Pizza Kitchen
Tombstone Pizza
DiGiorno
Stouffer's
Hot Pockets
Jack's
Nescafé
Taster's Choice
Coffee-mate
Nespresso
Nescafé Dolce Gusto
Ricoré
Caro
Bonka
Good Host
Herta
Maggi
Thomy
Buitoni
Chef-mate
Milo
Toll House
Nesquik
Carnation
Boost
PowerBar
Perrier
Nestlé Pure Life
Poland Spring
S.Pellegrino
Juicy Juice
Nestea
Vittel
Schöller
Drumstick
Dreyer's
Nestlé
Maxibon
Frisco
Skinny Cow
MÖVENPICK
Nestum
Good Start
NAN
Cerelac
BEBA
Gerber
Alete
NIDO
Dasani
BonAqua
Aquarius
Apollinaris
vitaminwater
smartwater
Kinley
odwalla
Bright & Early
Minute Maid
FUZE
innocent
Frutopia
Powerade
Nordic Mist
Honest Tea
Five Alive
Full Throttle
burn
NOS
Relentless
Fanta
Barq's
Fresca
Mezzo Mix
Mello Yello
Pibb
Sprite
Coca-Cola
Lipton
PG Tips
Salada
Lyons
Red Rose
Knorr
Hellmann's
Skippy
Marmite
Wish-Bone
Colman's
Calvé
Amora
Maille
Peperami
BiFi
Pot Noodle
Maizena
Bovril
Slim-Fast
Bertolli
Ben & Jerry's
Breyers
Good Humor
Algida
Langnese
Klondike
Popsicle
Magnum
Fudgsicle
Cornetto
Becel
I Can't Believe It's Not Butter!
Promise
Flora
Country Crock
Imperial
Stork
Blue Band
Elmlea
Brummel & Brown
evian
Volvic
Salvetat
Badoit
Light & Fit
Activia
Shape
Silhouette
Taillefine
Danonino
Stonyfield
Oikos
Dannon
Danacol
Danette
Actimel
Cow & Gate
milupa
Aptamil
Nutricia
Uncle Ben's
Miracoli
Ebly
Dolmio
Seeds of Change
Life Savers
Skittles
Starburst
Altoids
Orbit
Airwaves
excel
5 Gum
Extra
Juicy Fruit
Spearmint
Doublemint
Big Red
Hubba Bubba
Freedent
eclipse
Winterfresh
m&m's
Milky Way
Mars
Bounty
Snickers
Maltesers
Dove
Twix
Balisto
3 Musketeers
Galaxy
Revels
Flyte
Tunes
Combos
Topic
CocoaVia
Kudos

Hindustan Unilever leads in product diversity!

Supply and Law of Supply

•Like law of demand which states a relation between the price and the quantity demanded for a good or service, law of supply states a relation between price and quantity supplied. Supply, like demand, is a flow concept.

•As Lipsey has put it: "Supply is a desired flow: how much firms are willing to sell per (unit) period of time not how much they actually sell." Law of supply refers to the amount of a goods or services that producers are willing and able to offer for sale at each possible price per unit. The law of supply simply states that, as the price of a good or service rises, the quantity supplied (i.e., offered for sale) also rises.

•"The *law of supply states that other things being equal the higher the price, the greater the quantity supplied or the lower the price, the smaller the quantity supplied.“*

1. For example, a business will make more video game systems if the price of those systems increases. The opposite is true if the price of video game systems decreases. The company might supply 1 million systems if the price is $200 each, but if the price increases to $300, they might supply 1.5 million systems.
2. When college students learn that computer engineering jobs pay more than English professor jobs, the supply of students with majors in computer engineering will increase.

Supply Curve

The supply curve is upward sloping because, over time, suppliers can choose how much of their goods to produce and later bring to market. At any given point in time however, the supply that sellers bring to market is fixed, and sellers simply face a decision to either sell or withhold their stock from a sale; consumer demand sets the price and sellers can only charge what the market will bear.

What are the factors that determine "supply"?

- **"P.I.G. T.O.E.S"**
  - **P**roductivity (workers, machines, and/or assembly)
  - **I**nputs (Change in the price of materials needed to make the good)
  - **G**overnment Actions **(**Subsidies, Taxes, and Regulations)
  - **T**echnology (Improvements in machines and production)
  - **O**utputs (Price changes in other products)
  - **E**xpectations (outlook of the future)
  - **S**ize of Industry (Number of companies in the industry)

Supply Function or Determinants of Supply

Supply function studies the functional relationship between supply of a commodity and its various determinants.

$$S_X = f\ (P_X, P_R, N_F, G, P_F, T, E_X, G_P)$$

Where,

S_X = Supply of a Commodity

P_X = Price of the Commodity

P_R = Price of the Related Goods

N_F = Number of Firms

G = Goal of the Firm

P_F = Price of factors of Production

T = Technology

E_X = Expected Future Price

G_P = Government Policy

Price of the Commodity

There is a direct relationship between price of a commodity and its quantity supplied. When price increases, supply also increases because it motivate the firm to supply more in order to get more profit. When price decreases, smaller quantity will be supplied as profit decreases.

Price of Related Goods

Producers always have the tendency of shifting from the production of one commodity to another commodity. If the prices of another commodity increases, especially substitute goods, producers will find it more profitable to produce that commodity by reducing the production of the existing commodity.

For Example: Suppose the seller of tea notice that the price of coffee increases . They may reduce the amount of resources devoted to the selling of tea in favour of coffee.

Number of Firms

Market supply of a commodity depends upon number of firms in the market.

Increase in the number of firms implies increase in the market supply, and decrease in the number of firms implies decrease in the market supply of a commodity.

Goal of the Firm

If goal of the firm is to maximise profits, more quantity of the commodity will be offered at a higher price.

On the other hand, if goal of the firm is to maximise sale more will be supplied even at the same price.

Price of the Factor of Production

Supply of a commodity is also affected by the price of factors used for the production of the commodity.

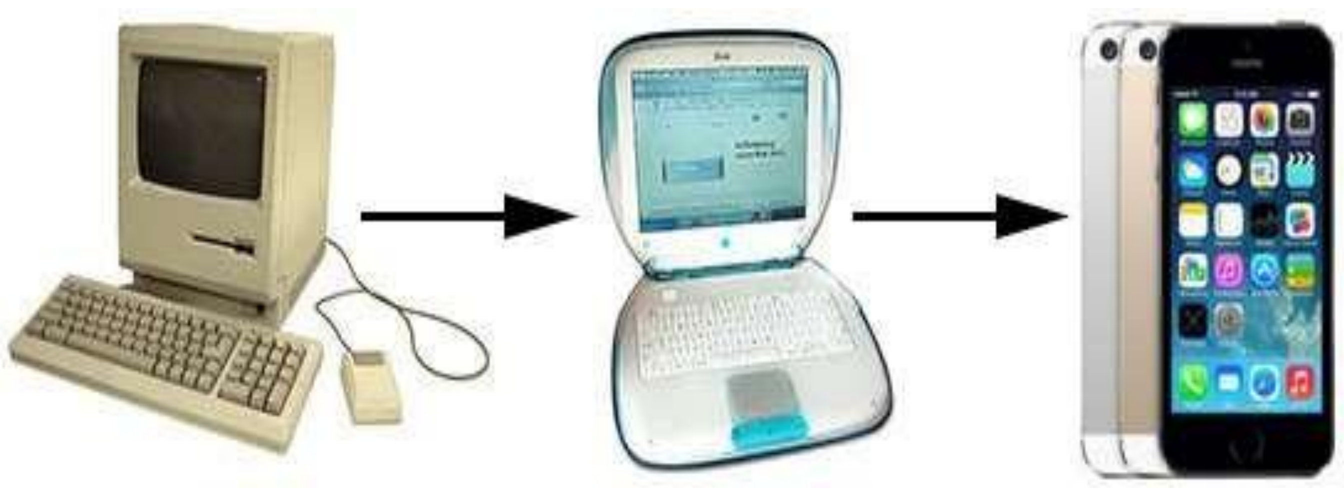
If the factor price decreases, cost of production also reduces. Accordingly, more of the commodity is supplied at its existing price.

Conversely, if the factor price increases cost of production also increases. In such a situation less of the commodity is supplied at its existing price.

Change in Technology

Change in technology also affects supply of the commodity.

Improvement in the technique of production reduce cost of production. Consequently, more of the commodity is supplied at its existing price.



Expected Future Price

If the producer expects price of the commodity to rise in the near future, current supply of the commodity will reduce.

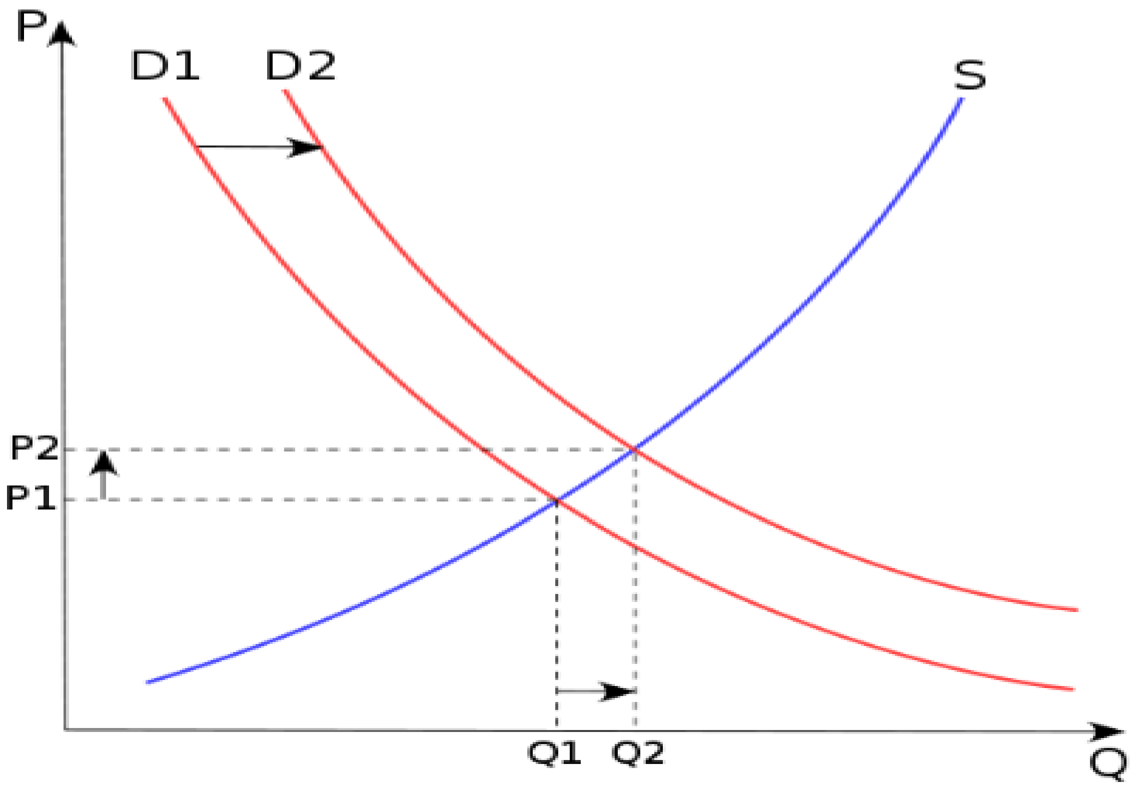
If, on the other hand, fall in the price is expected, current supply will increase.

Government Policy

'Taxation and Subsidy' policy of the government affects market supply of the commodity.

Increase in taxation tends to reduce supply. On the other hand, subsidies tend to increase supply of the commodity.

Role of Supply and demand in price determination



Price affected by supply and demand: The price P of a product is determined by a balance between production at each price (supply S) and the desires of those with purchasing power at each price (demand D). The diagram shows a positive shift in demand from D1 to D2, resulting in an increase in price (P) and quantity sold (Q) of the product.

Role of Supply and demand in price determination

Supply and demand is an economic model of price determination in a market. It concludes that in a competitive market, the unit price for a particular good will vary until it settles at a point where the quantity demanded by consumers (at current price) will equal the quantity supplied by producers (at current price), resulting in an economic equilibrium of price and quantity.

The four basic laws of supply and demand are:

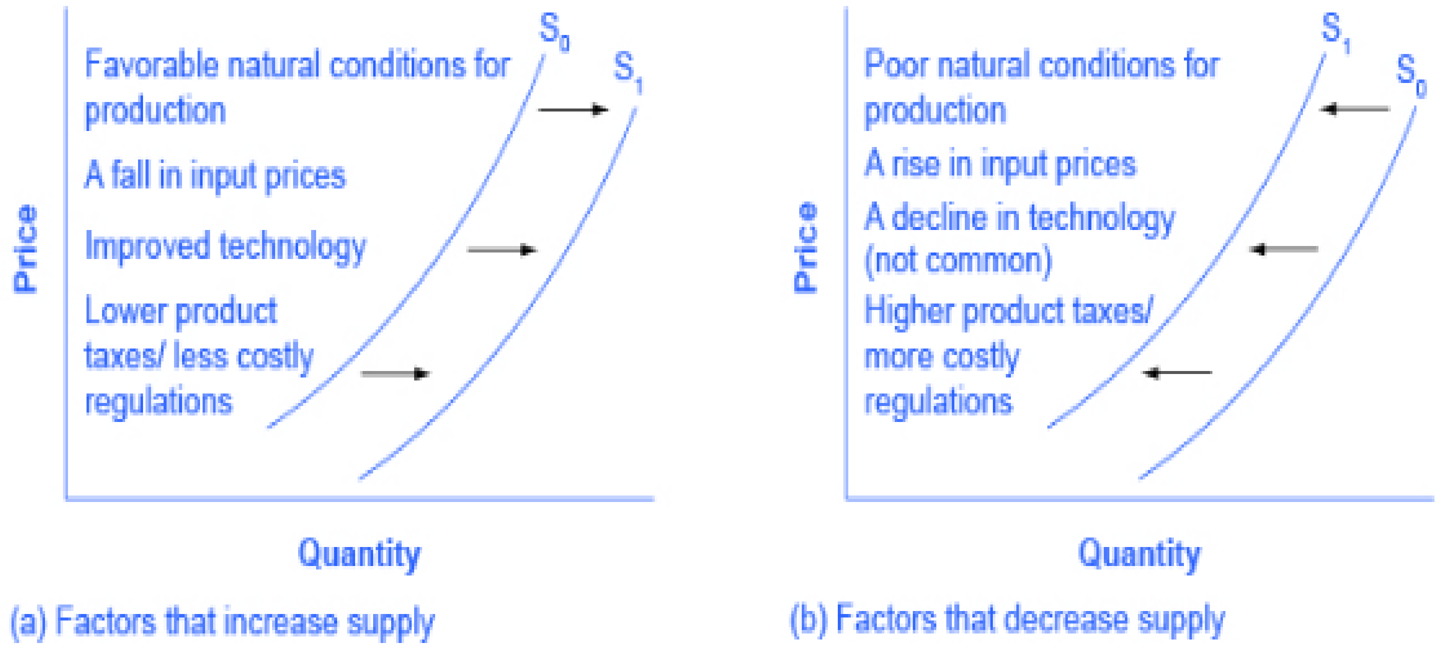
1. If demand increases and supply remains unchanged, then it leads to higher equilibrium price and higher quantity.
2. If demand decreases and supply remains unchanged, then it leads to lower equilibrium price and lower quantity.
3. If supply increases and demand remains unchanged, then it leads to lower equilibrium price and higher quantity.
4. If supply decreases and demand remains unchanged, then it leads to higher equilibrium price and lower quantity.

Equilibrium is defined as the price-quantity pair where the quantity demanded is equal to the quantity supplied, represented by the intersection of the demand and supply curves. Market equilibrium is a situation in a market when the price is such that the quantity that consumers wish to demand is correctly balanced by the quantity that firms wish to supply.

Impacts of Supply and Demand on Pricing

- In the supply and demand model of price determination, there is never a surplus or shortage of goods at the equilibrium level. The market always settles at the point where supply equals demand.
- If demand increases (decreases) and supply is unchanged, then it leads to a higher (lower) equilibrium price and quantity.
- If supply increases (decreases) and demand is unchanged, then it leads to a lower (higher) equilibrium price and higher (lower) quantity.
- If a price for a particular product goes up and the customer is aware of all relevant information, demand will be reduced for that product.
- Demand-oriented pricing focuses on the nature of the demand curve for the product or service being priced.

Factors that shift supply curves



(a) A list of factors that can cause an increase in supply from S_0 to S_1. (b) The same factors, if their direction is reversed, can cause a decrease in supply from S_0 to S_1.