"बेटी बचाओ, बेटी पढ़ाओ"

JAYOTI VIDYAPEETH WOMEN'S UNIVERSITY, JAIPUR

FACULTY OF LAW & MANAGEMENT

Department of Law

Faculty Name	:	JV'n Dr. shahnawaz Alam
Program	:	MBA I SEM
Course Name	:	Economics for Managers

Academic Day starts with saying

'Namaste' by joining Hands together following by 2-3 Minutes Happy session, Celebrating birthday of any student of respective class and **National Anthem**.

Lecture Starts with Review of previous Session

Topic to Be Discussed Today: Basics of Demand Analysis

Nature of demand Analysis:

Demand analysis is the research conducted by companies that aim at understanding customer demand for a certain product. Businesses generally use it to determine whether they can successfully enter the market and obtain the expected profit**.**

Meaning of demand

Demand is an economic principle referring to a consumer's desire to purchase goods and services and willingness to pay a price for a specific good or service. Holding all other factors constant, an increase in the price of a good or service will decrease the quantity demanded, and vice versa.

Market demand is the total quantity demanded across all consumers in a market for a given good. Aggregate demand is the total demand for all goods and services in an economy. While consumers try to pay the lowest prices they can for goods and services, suppliers try to maximize profits. If suppliers charge too much, the quantity demanded drops and suppliers do not sell enough products to earn sufficient profits. If suppliers charge too little, the quantity demanded increases but lower prices may not cover suppliers' costs or allow for profits. Some factors affecting demand include the appeal of a good or service, the availability of competing goods.

Factor Determinants of Demand

Some of the important determinants of demand are as follows,

- Price of the same product
- Price of the related commodity
- Income of the consumer
- Taste and presences of consumer regarding goods and services
- Consumer expectation regarding future price and availability of goods and service in the future
- Size of the consumer in the market
- Weather and climate condition
- Government policy regarding production of goods and services

Types of demand: demand broadly classified in two parts

Individual Demand and Market Demand

Demand, a chief economic principle, is the effective want for something and the willingness and ability to pay for it. A relative concept, demand is always attached to a certain price point at a particular point in time. Quantitative demand analysis provides useful guidance to companies and investors trying to determine their market strategy and the growth potential of a product. There are two basic types of demand: individual and market. While both principles overlap in many ways, the scope of individual demand is much narrower than market demand.

Individual Demand

The individual demand is the demand of one individual or firm. It represents the quantity of a good that a single consumer would buy at a specific price point at a specific point in time. While the term is somewhat vague, individual demand can be represented by the point of view of one person, a single family, or a single household.

Market Demand

Market demand provides the total quantity demanded by all consumers. In other words, it represents the aggregate of all individual demands. There are two basic types of market demand. Primary and selective

Primary demand: is the total demand for all of the brands that represent a given product or service, such as all phones or all high-end watches. **Selective demand** is the demand for one particular brand of product or service, such as the iPhone or a Michele watch. Market demand is an important economic marker because it reflects the competitiveness of a marketplace, a consumer's willingness to buy certain products and the ability of a company to leverage itself in a competitive landscape. If market demand is low, it signals to a company that they should terminate a product or service, or restructure it so that it is more appealing to consumers.

Demand Curve: the demand curve states that graphical presentation of demand schedule. Demand curve also classified into to parts one is individual demand curve and other is market demand curve. Individual demand curve showing, the graphical presentation of individual consumer demand in the market. Other hand market demand curve showing the summation of all individual demand curve means that this is a graphical presentation of all individual demand schedule

The law of demand:

Law of demand state that inverse relation between price and quantity demanded that means demand of the goods and services increases with the fall of price of goods and service and quantity demand of the goods and services fall with the increase of price of the commodity.

According to marshal law of demand does applicable only for normal goods and other goods are exception, where law of demand will be not applicable

Definitions: Some major definitions of the Law of Demand are as follows:

"Law of Demand states that people will buy more at lower prices and buy less at higher prices, if other things remaining the same."**- Prof. Samuelson.**

The Law of Demand states that amount demanded increases with a fall in price and diminishes when price increases." **- Prof. Marshall**

"According to the law of demand, the quantity demanded varies inversely with price." –**Ferguson**

The greater the amount to be sold the smaller must be the price" **Marshall**

"Usually a larger quantity of commodity will demanded at lower price that a higher price"

Characteristics of law of demand

- Inverse relationship between price and demand.
- Price is independent variable
- Demand is dependent variable on price of goods.

Assumptions of law demand: Every law will have limitation or exceptions. This law operates when the commodity's price changes and all other prices and conditions do not change. The main assumptions are

- Habits, tastes and fashions remain constant
- Money, income of the consumer does not change.
- Prices of other goods remain constant
- The commodity in question has no substitute
- The commodity is a normal good and has no prestige or status value.
- People do not expect changes in the prices.

Elasticity Of Demand: Law of demand state that inverse relationship between price and quantity demanded. But law of demand does not explain what percentage change in quantity demanded with small change in price of the commodity but elasticity of demand give the proper solution of this type of problem, in economics elasticity is the measurement of how an economic variable responds to a change in another. It gives answers to questions such as:

- "If I lower the price of a product, how much more will sell?"
- "If I raise the price of one good, how will that affect sales of this other good?"
- "If the market price of a product goes down, how much will those affect the amount that firms will be willing to supply to the market?"

In other word elasticity of demand state that change demand of the commodity with respect to price of the commodity, price of the related commodity and income of the consumer. Changes in quantity demanded with respect to price of the commodity are called price elasticity of demand. The Change in demand of the commodity with respect to price of other commodity are called cross elasticity of demand. Change in demand of the commodity with respect to income of the consumer is called income elasticity of demand. However, Elasticity means sensitiveness or responsiveness of demand to the change in price. This change, sensitiveness or responsiveness, may be small or great. Take the case of salt. Even a big fall in its price may not induce an appreciable ex appreciable extension in its demand. On the other hand, a slight fall in the price of oranges may cause a considerable extension in their demand. That is why we say that the demand in the former case is 'inelastic' and in the latter case it is 'elastic'. The demand is elastic when with a small change in price there is a great change in demand; it is inelastic or less elastic when even a big change in price induces only a slight change in demand. In the words of Dr. Marshall, "The elasticity (or responsiveness) of demand in a market is great or small according as the amount demanded increases much or little for a given fall in price, and diminishes much or little for a given rise in price."But the demand cannot be perfectly 'elastic' or 'inelastic'. Completely elastic demand will mean that a slight fall (or rise) in the price of the commodity concerned induces an infinite extension (or contraction) in its demand. Completely inelastic demand will mean that any amount of fall (or rise) in the price of the commodity would not induce any extension (or contraction) in its demand. Both these conditions are unrealistic.