Demand

# Presentation

Take notes. Your notes should cover the following questions:

* What is meant by ‘market’ demand?
* What is the law of demand?
* What is shown by a demand curve? Why is it downward sloping?
* How does a change in price affect the demand curve?
* How would a change to any other relevant factor affect the demand curve?

# Task: Check your understanding

**Instructions:** Complete the following questions to check your understanding of the content covered so far.

1. The law of demand states that:
	1. quantity demanded increases as price decreases
	2. demand rises as income rises
	3. producers respond to an increase in demand by producing more
	4. an increase in demand causes an increase in price

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| --- | --- | --- | --- | --- |
| Price | Tennis Club members (annual) (000s) | Players but not club members (annual) (000s) | Non-tennis Players (annual) (000s) | Total Market (annual) (000s) |
| £100 | 6 | 1 | 0 |  |
| £80 | 7 | 3 | 0 |  |
| £60 | 8 | 6 | 2 |  |
| £40 | 9 | 10 | 8 |  |
| £20 | 10 | 18 | 20 |  |

* 1. the amount purchased depends on the amount demanded
1. Consider the data in the table. This shows the annual demand for tennis shoes in three sections of the market.
2. Fill in the column for annual market demand
3. Draw the annual demand curve for each of these 3 groups and the annual market demand

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 100 |  |  |  |  |  |  |  |  |  |  |  |
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| 80 |  |  |  |  |  |  |  |  |  |  |  |
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| 60 |  |  |  |  |  |  |  |  |  |  |  |
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| 40 |  |  |  |  |  |  |  |  |  |  |  |
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| 20 |  |  |  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  |  |  |  |
| 0 |  | 10 | 20 | 30 | 40 | 50 |

Price

Quantity of Tennis Shoes (annual 000s)

1. True or False: The Substitution effect refers to the effect on the quantity demanded of a change in the price of a substitute good
2. True or False: The Income effect refers to the effect on price and quantity demanded of a change in consumer income

# Presentation 2 – Determinants of Demand

Take notes. Your notes should cover the following questions:

* How do the following factors affect demand?
	+ The price of the good
	+ Consumers’ income
	+ The price of other goods
	+ Changes in tastes and fashions
* What is significant about Veblen and Giffen goods? How can they be explained?

# Task: Factors Causing a Shift in Demand

When the demand curve shifts to the left, less of the product will be demanded (Q2) at the same price (P1). Conversely, a rightward shift causes an increase in demand (to Q3) at the same price.

 **P**

 **P1**

 **Q2 Q1 Q3 Q**

**D1**

**D3**

**D2**

## Demand and Consumer Incomes

**Instructions:**

Take a look at the following list of goods and services. In each case, determine how will demand (assumed to be at D1) react to a ***rise*** in people’s incomes? Will demand move to D2, or D3, or stay at D1?

DVDs Cars Bus journeys

Frozen pizza Desktop PCs Delivered pizza

Typewriter Canned meat (spam) Rolling tobacco

Used cars Cigarettes Friday night cinema seats

Delicatessen meat Bic biro pen Parker pen

Monday discount cinema seats

## Demand and the Price of Other Goods

**Instructions:**

Take a look at the three columns, below. Focusing on one row at a time, how will demand for the first good (assumed to be at D1) react to a ***rise*** in the price of the other two goods? Will demand move to D2, or D3, or stay at D1?

|  |  |  |
| --- | --- | --- |
| **Corn flakes** | **↑P of Rice Krispies =**  | **↑P of Milk =** |
| **Cars** | **↑P of Petrol =** | **↑P of Public transport =** |
| **CD players** | **↑P of CDs =** | **↑P of MP3 players =** |
| **Tea** | **↑P of Milk =** | **↑P of Coffee =** |
| **Beef burgers** | **↑P of Steaks =** | **↑P of Burger buns =** |
| **All-in-one printers** | **↑P of Photocopiers =** | **↑P of Ink =**  |

# Article Task: Question Factors Influencing Demand

**Instructions:**

* Read, highlight, and annotate the article
* Make notes for the discussion questions
* Discuss as a class

*Death of video recorder in sight*

*The death of the video cassette recorder appears to be in sight after the UK's largest electrical chain said it is to stop selling them.*

Dixons will phase out VCRs due to the boom in DVD players, sales of which have grown seven-fold in five years. It ends a 26-year love affair with a gadget which changed viewing habits by allowing people to leave home without missing their favourite programmes.

Dixons expects to sell its remaining stock of VCRs by Christmas. The High Street retailer says demand for VCRs has fallen dramatically since the 1990s, when more than 200m VCRs were sold a year worldwide.

DVD charm

It aims to concentrate on their successor, the DVD which has charmed consumers with its speed and superior quality. DVD players and the improvement in picture quality has been greatly advertised in the media. Many people are now purchasing DVD players as it has been de facto video player, they want to ensure they can play borrowed DVDs and take DVDs around to their friends for a movie night. John Mewett, marketing director at Dixons, said: "We're saying goodbye to one of the most important products in the history of consumer technology.

"The video recorder has been with us for a generation and many of us have grown up with the joys and the occasional frustrations of tape-based recording.

"We are now entering the digital age and the new DVD technology available represents a step change in picture quality and convenience."

The final nail in the coffin for VCRs is the low price of DVD players, which can now be bought for as little as £25. The cost of DVD recorders are also falling to a level within reach of many consumers.

The BBC's business reporter Hywel Jones said: "So far Dixons is the only major chain to abandon sales of VCRs, however more are expected to follow over the winter months as consumers look to invest in DVD players.

"But video cassettes are likely to join record players and Rubik Cubes as objects of nostalgic affection.

The first video cassette recorder went on sale at Dixons in 1978 priced £798.75 - the equivalent of about £3,000 in today's money. It was made by Japanese electronics giant JVC and had a slot in the top to insert the tape and piano-style keys.

**Class Discussion**

Using the above article, explain the factors affecting the demand curve for both VCRs and DVD players

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**Extension:**

Will HD DVD and *Blu-Ray* players do what DVD players did to VCR? Using demand analysis, explain how these might affect the market for DVD players.

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# Discussion Task: Impacts on the demand curve

**Instructions:**

* With a partner, read the scenarios in the table
* Consider the impact these events will have on the demand curve
* Discuss your ideas with the rest of the class

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| --- | --- |
| Scenario:  | Impact on the demand curve:  |
| The demand for McDonald’s fast food following the success of Supersize Me at the cinemas. |  |
| The demand for oranges following an increase in the price of apples. |  |
| The demand for oil following a decrease in the price of oil to only $10 per barrel in 1998. |  |
| The demand for ink toners following a decision by Samsung to sell some of its laser printers for only £50. |  |
| The demand for Robusta coffee beans following a 50% rise in its price, to $1,688 per tonne in April 2006. |  |
| The demand for satellite navigation devices following an increase in consumer incomes. |  |
| The demand for Skoda cars following a major rebranding and advertising effort by Volkswagen (the new owners of Skoda). |  |
| The demand for Tesco value baked beans following a rise in consumer incomes. |  |

# 5-mark questions

**Instructions:**

* *Read the short extract*
* *Answer the five mark questions*

**Structure:**

* 2 Knowledge marks, 2 analysis marks, 1 application mark

*‘Since mobile phones became popular in the early to mid 1990s, numerous health reports have claimed that excessive use of these devices may cause brain tumour and cancer.’*

Using a diagram, explain the effect that these reports have in fact had, if at all, on the market for mobile phones or any other devices. (5 marks)

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*‘On 7 July 2005, London Transport was attacked with a triple bombing incident. Two weeks later, another triple bombing attempt was made unsuccessfully. However in this month petrol prices rose significantly.‘*

Using a diagram, explain how these incidents may have affected the market for petrol in London (5 marks)

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# Extension Presentation – More demand concepts

Take notes. Your notes should cover the following questions:

* What is meant by joint demand?
* What is meant by derived demand?

**N.B.** This material is best accessed after learning about both supply and demand, and their interaction in the price market mechanism.