

SMALL BUSINESS AND
ENTREPRENEURSHIP

ASSESSING

DEMAND

DEMAND

- want it
- can afford it
- plan to buy it

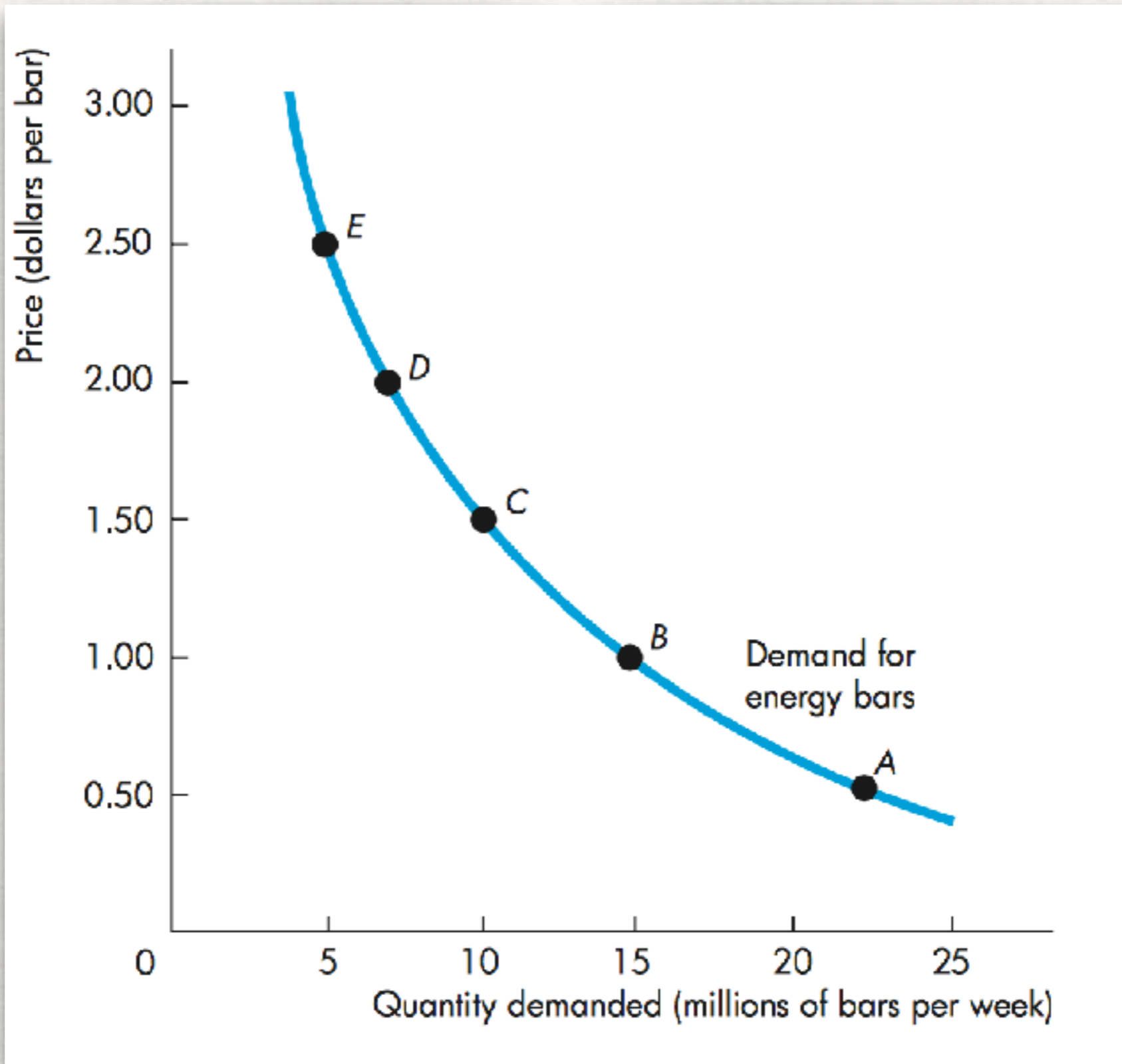
LAW OF DEMAND

- Other things remaining the same, the higher the price of a good, the smaller is the quantity demanded; and the lower the price of a good, the greater is the quantity demanded

HIGHER PRICE REDUCES DEMAND

- Substitution effect
- Income effect

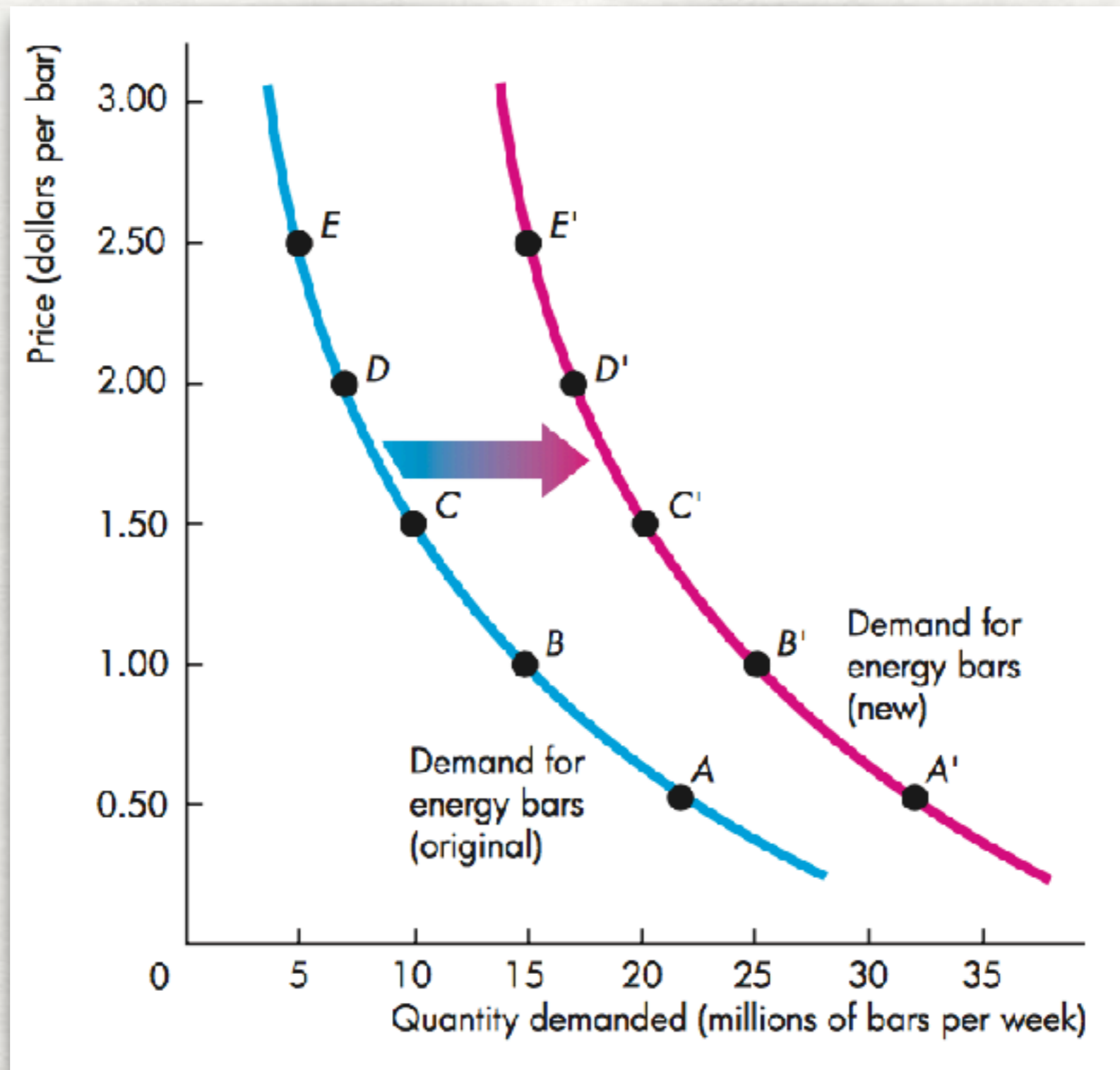
DEMAND CURVE



DEMAND CURVE

	Price (dollars per bar)	Quantity demanded (millions of bars per week)
<i>A</i>	0.50	22
<i>B</i>	1.00	15
<i>C</i>	1.50	10
<i>D</i>	2.00	7
<i>E</i>	2.50	5

INCREASE IN DEMAND



INCREASE IN DEMAND

Original demand schedule Original income			New demand schedule New higher income		
	Price (dollars per bar)	Quantity demanded (millions of bars per week)		Price (dollars per bar)	Quantity demanded (millions of bars per week)
<i>A</i>	0.50	22	<i>A'</i>	0.50	32
<i>B</i>	1.00	15	<i>B'</i>	1.00	25
<i>C</i>	1.50	10	<i>C'</i>	1.50	20
<i>D</i>	2.00	7	<i>D'</i>	2.00	17
<i>E</i>	2.50	5	<i>E'</i>	2.50	15

SIX FACTORS BRING CHANGES IN DEMAND PRICES OF RELATED GOODS



SIX FACTORS BRING CHANGES IN DEMAND

EXPECTED FUTURE PRICES



SIX FACTORS BRING CHANGES IN DEMAND

INCOME



SIX FACTORS BRING CHANGES IN DEMAND

EXPECTED FUTURE INCOME AND CREDIT



SIX FACTORS BRING CHANGES IN DEMAND POPULATION



SIX FACTORS BRING CHANGES IN DEMAND

PREFERENCES



THE DEMAND FOR ENERGY BARS

The law of demand

The quantity of energy bars demanded

Decreases if:

the price of an energy bar rises

Increases if:

the price of an energy bar falls

Changes in demand

The demand for energy bars

Decreases if:

The price of a substitute falls

The price of a complement rises

The expected future price of an energy bar falls

Income falls

Expected future income falls or credit becomes harder to get

The population decreases

Increases if:

The price of a substitute rises

The price of a complement falls

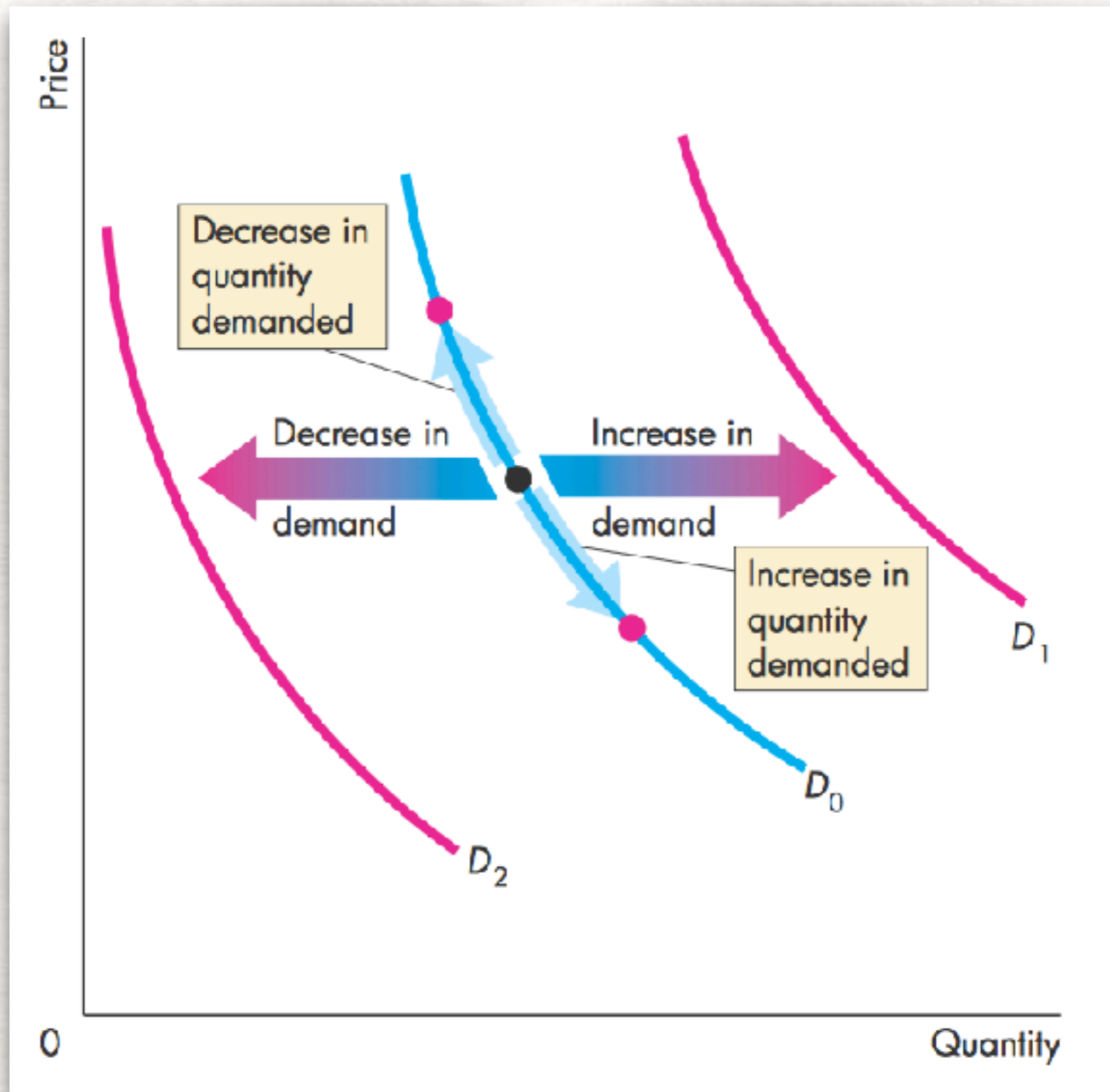
The expected future price of an energy bar rises

Income rises

Expected future income rises or credit becomes easier to get

The population increases

A CHANGE IN THE QUANTITY DEMANDED VERSUS A CHANGE IN DEMAND



THE END