MANAGERIAL ECONOMICS
Topic: Demand Analysis

MBA ,1st semester

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IMPORTANCE OF DEMAND ANALYSIS IN MANAGERIAL ECONOMICS:

Following are the importance of Demand analysis in Managerial Economics-

1. Demand is necessary for existence of firms.
2. Demand helps in sales forecasting.
3. In pricing decision.
4. In marketing Decision.
5. Production decision of firms.

CONCEPT OF DEMAND

- **Meaning of Demand:** The Demand for a commodity is consumer's desire to have it, for which he is willing and able to pay at a given price during a given time period.

- **There are 5 essential elements to fulfill the Demand**:

a) Desire for a goods.

b) Ability to pay.

c) Willingness to pay.

d) Given prices)

e) Given time-period.

- **In the words of Prof. Mayer's** - The demand for a goods is a schedule of the amount that buyers would be willing to purchase at all possible prices at any one instant of time.
- **WHAT IS QUANTITY DEMANDED ?**
  The quality demanded is the particular amount of a commodity that the buyers are willing and able to buy at a given price during a given time - period, while other things remain the same.

DEMAND FUNCTION

- Function of demand for a commodity describes the functional relationship between quantity demanded of of it and the factors that affect it.

- There are two types of function of demand:
  a) Individual demand function.
  b) Market demand function.
- **INDIVIDUAL DEMAND FUNCTION:**
  Individual demand function describes the relationship between the demand of an individual for a commodity and the factors that influence it.

Mathematical ,

$D_x = f(P_x, P_r, y, T, A)$

Where, D_x= Demand for commodity -X.

P_x= own price of commodity -x.

P_r=price of related commodity.

Y= Income of the individual.

T= Taste and preferences of the individual consumer.

A= Advertising expenditure made by producers.

MARKET DEMAND FUNCTION:

It is related to the relationship between market demand for a commodity and the factors that influence it.

MATHEMATICALLY ,

$D_X = f(P_x, P_r, Y, T, A, E, P)$

Where, E=Expectations of consumers.

P= Size of population.

DETERMINANTS OF DEMAND:

Following are the determinants of Demand :

1. Income level of the consumers.
2. Taste and preferences of the consumers.
3. Change in the price of related goods, say substitute goods and complementary goods.
4. Consumers' expectations with regard to future change in prices.
5. Advertisement expenditure.
6. Own price of goods.
7. Change in population.

THANK YOU