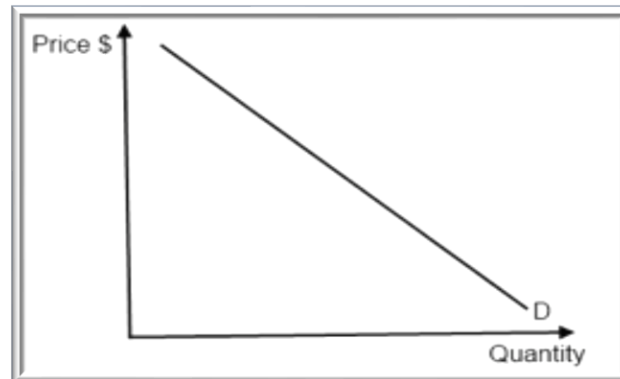


## Factors leading to a change in demand

1	<b>Price of Substitutes</b>	Many goods sold by a business have substitutes. E.g. Coke and Pepsi. The price of substitute . If the price of a substitute falls the demand will rise. As a result the demand for the product will fall
2	<b>Price of compliments</b>	Consumers sometimes purchase certain goods together, this is because the two goods are used together. E.g. Cars and Car Insurances. The price of the complimentary goods effects demand for the original good
3	<b>Changes in consumer income</b>	The amount of money that people earn will influence the amount and type of goods they buy.
4	<b>Fashion and tastes</b>	Over time as fashion and tastes change products drift in and out of fashion which effects demand
5	<b>Advertising and branding</b>	Businesses try to influence demand for their products through advertising. Depending on the costs of the advertising and the success of the campaign this will affect demand for a product or service

## External Shocks

1	<b>Competition</b>	If a strong new competitor enters the market for the first time demand is likely to fall for the original firm's product
2	<b>Government</b>	Governments can influence demand in a number of ways e.g. Raising taxes or introducing new laws
3	<b>Economic Climate</b>	IF the economy is growing demand for goods and service will tend to rise. During a recession demand for non-essential goods is likely to fall.
4	<b>Social and Environmental factors</b>	Demand for some goods may be affected by changes in society. Concern has risen in recent times about the damage sustained by the environment by the product of some goods, this has led to a fall in demand



## Key Vocabulary

1	<b>Demand</b>	The amount of product that consumers are willing and able to purchase at any given price
2	<b>External Shocks</b>	Factors beyond the control of the business which can impact demand for goods
3	<b>Inferior Goods</b>	Goods for which demand will fall as income rises, or rise as income increases
4	<b>Normal Goods</b>	Goods for which demand will fall as income rises, or rise as income increases
5	<b>Substitute goods</b>	Goods that can be bought as an alternative to others but perform the same function

### Key Tip

When drawing the demand diagram remember the curve runs from top left to bottom right. The price is always on the left on the vertical axis and the quantity on the horizontal axis.