

## Demand

1	Demand	Demand is the quantity of a good/service that consumers are willing and able to buy at a given price.
2	The demand curve	A demand curve shows an <b>inverse</b> relationship between price and quantity
3	Contraction/extension of demand	A movement along the demand curve can be caused by a change in price only, <u>contraction happens due to higher prices</u> and <u>extension due to lower prices</u>
4	Factors that cause a shift in the demand curve	<b>PASIFIC</b> Population, Advertising, Substitutes, Income, Fashion and trends, Complements

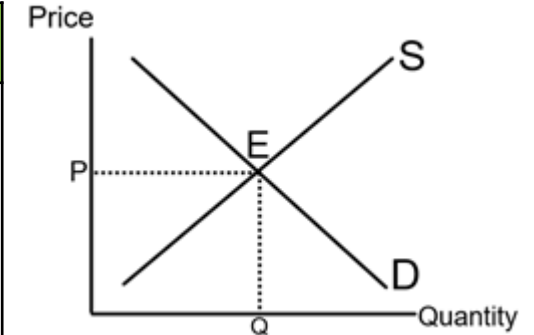
## Supply

1	Supply	Supply is the quantity of a good/service that producers are willing and able to supply at any given price.
2	The supply curve	The supply curve shows a <b>direct</b> relationship between price and quantity supplied
3	Contraction/extension of supply	A movement along the supply curve can be caused by a change in price only, <u>contraction happens due to lower prices</u> and <u>extension due to higher prices</u>
4	Factors that cause a shift in the supply curve	<b>PINTSWEC</b> Productivity, Indirect taxes, Number of firms, Technology, Subsidies, Weather, External shocks, Cost of Production

## Equilibrium

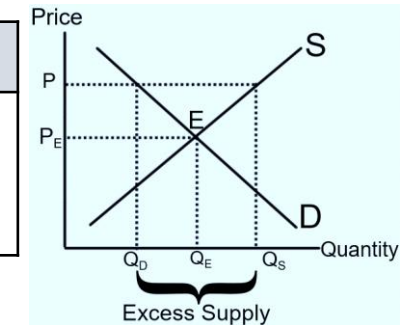
**Equilibrium**

Equilibrium Price and Quantity Bought and Sold is reached where Supply and Demand is Balanced. At this price the market clears as there are no consumers or suppliers left willing but unable to buy or sell at that price.



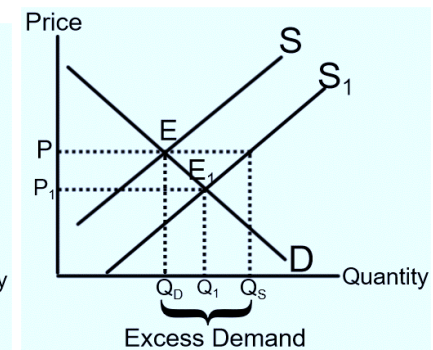
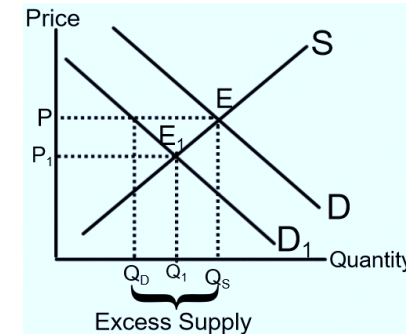
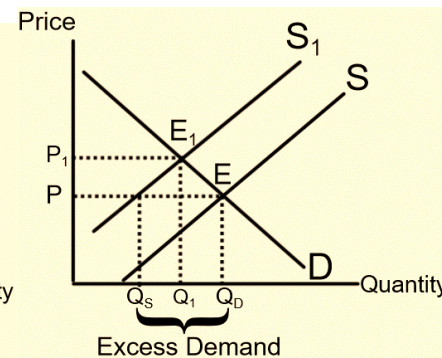
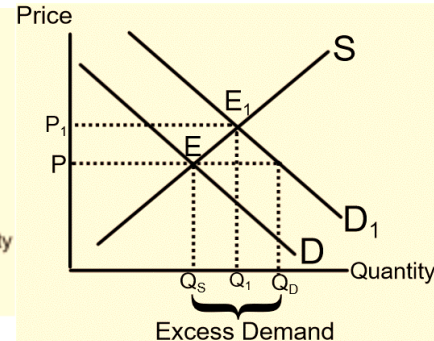
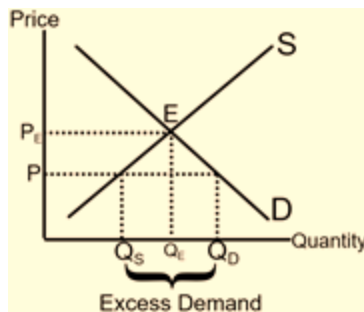
## Excess Supply

Excess Demand occurs when the Price of a good is lower than the Equilibrium Price, meaning more consumers will want to buy the good than suppliers are willing to sell. The difference between the Quantity Demanded ( $Q_D$ ) and the Quantity Supplied ( $Q_S$ ) is the Excess Demand.



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## Functions of the price mechanism

1	Rationing	•Prices serve to ration scarce resources when demand in a market outstrips supply.
2	Incentive	Higher prices provide an incentive to existing producers to supply more because they provide the possibility of more revenue and increased profits.
3	Signalling	Prices perform a signalling function – they adjust to demonstrate where resources are required, and where they are not

Primary research is information gathered through self-conducted research methods.

Advantages	Disadvantages
Specific to your needs – ‘fit for purpose’ detailed	Time consuming/Costly
Up to date	Smaller sample
Proprietary Rights – ‘it belongs to you’	Research may be biased

Secondary research is information gathered from previously conducted studies.

Advantages	Disadvantages
Convenient	Not Specific
Affordable and quick to do	Could be outdated
	Conducted by experts



## Market segmentation

<b>Key idea</b>	Product differentiation – making a product stand out from rivals
<b>How?</b>	distinctive design – e.g. Dyson; Apple products branding – e.g. Nike, Mini Cooper, Disney, Converse performance – e.g. Mercedes, BMW USP – Dyson’s renowned suction power
<b>Consequence</b>	Business can charge higher prices Higher profits possible Improved reputation in market

## Market segmentation

1	Market Segmentation is when a market researcher divides consumers in a market into groups (called segments). This helps them narrow down their target market to the relevant customers.
2	Segments are normally measured in terms of sales value or volume. Sales value: how much money can be made from the group Volume: the number of people in the group
3	Main Bases of Segmentation Geographic – region, rural/urban, ACORN Demographic – age, gender, job, socio-economic Behavioural – habits, desires, loyalty, readiness to buy Psychographic – personality, lifestyles, attitudes, class

## Benefits of market segmentation

1	Match products to customer needs – product differentiation
2	Match pricing to disposable income of specific groups
3	Retain customers that might have switched as their needs changed, e.g. as they age or income changes
4	Target Marketing Communications: it becomes more cost- and time- efficient to target your advertising at the right customers
5	Gain share of the market segment through cost-efficient production and marketing based on careful targeting of the segment

## Benefits of market segmentation

<b>Key idea</b>	A framework for analysing a market position. It illustrates the range of positions a product can take in the market based on two dimensions that are important to customers.
<b>Construction</b>	These dimensions could be: Low price v High price Basic quality v High quality Low volume v High volume Necessity v Luxury Light v Heavy Simple v Complex Unhealthy v Healthy

## Product differentiation

<b>Key idea</b>	Competitive advantage is any feature of a business that enables it to compete effectively with rival products. An advantage may be based on price, quality, service, reputation or innovation.
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## Adding value

<b>Key idea</b>	Added value is the difference between the selling price of the finished product and the total costs of the inputs involved in making it.
<b>How?</b>	Building a brand Delivering excellent service Product features and benefits Offering convenience High quality packaging