Microeconomics project assignment

Economics, Microeconomics

This was the day the phone was introduced. Since the market for the phone is an oligopoly, It only has a handful of competitors. However, there are other main factors that can change the demand for phones, including the expected future prices, consumer preference, population for the region, the price of related goods and consumer income. According to the law of demand, substitute goods and income will affect the quantity of demand. For the income effect, the price of phones increases while consumer income remains the same. These nonusers may not be able to afford an phone, and as a result the quantity of phone demanded decrease.

For the substitution effect, when the cost of an phone increases, consumers may switch to a leading competitors smartened, such as Apple largest rival, Samsung. If the price of the phone’s raw materials changes, the supply of the phone will change as well. If the price of substitute and complement goods change, the supply of the phone will change. However, in Apple’s point of view, each product has its own characteristics. In other words, the phone has an inelastic supply. Apple has been known as a leader of innovation and as much as their technology increases, supply increases. Psychophysical) In additionally, China can provide low cost in manufacturing, which reduces the cost of producing phones and increase the quantity of phones supplied (Manikins, Sarah). However, supply can change due to external issues as well, such as legal issues. The warranty is also one of the costs which increases the total cost of production. (Barbara, David) Change in quantity supplied happens when the price of the good changes and other things remain the same. If quantity applied decreases, the price falls and there is a movement down along the supply curve.

If quantity supplied increases, the price rises and there is a movement up along the supply curve. The manufacturing company for the phone admitted they cannot produce enough phone as to match the demand. Since there is a high demand for as, the demand curve shifts to the right. At the same time, the supply of the as cannot keep up with the high demand and the price Stays the same. Therefore, a shortage occurs. (Saran Bindings) Also, there is a substitution effect which will shift the demand curve o the left is other smartened competitors that people are willing to purchase.

However, it will not be significant enough to push the demand curve back to normal. While there is a shortage of phone as', the supply and demand will eventually shift back to equilibrium by increasing the price and producing more units. (Blob Archive) Increasing in both demand and supply will increase the equilibrium quality, but the effect on equilibrium price is uncertain. An increase in demand raises the price and an increase in supply lowers the price. If demand increases more than the magnitude of increasing n supply, the equilibrium price will rise.

If the demand increases less than the magnitude of increasing in supply, the equilibrium price will fall. The magnitude of the cross elasticity of demand determines how far the demand curve shifts. The larger the cross elasticity, the greater is the change in demand and the larger is the shift in the demand curve. Corporations such as Apple, Samsung, Monika, BlackBerry, L. G, Sony, ETC and Motorola are the few main domination in the smartened industry totally with a market capitalization of over 50% of the smartened industry. (Cassavas, Liana)

Therefore, the market structure for the smartened industry can be defined as an oligopoly market. In accordance to Apple’s High-price strategy for branding, Apple’s position in the smartened industry is mainly at the level consisting of a certain type of customers, wealthy people, innovators, people with good jobs, good lifestyle, etc. Apple is known for their innovation, design, quality and just being a different company. This is due to Apple’s strategy aiming for a good reputation and a strong brand. (Miguel) To conclude, the smartened industry is considered to be an oligopoly market.