

Factors affecting supply and demand of $lg\ g_2$



1. What are the possible factors affecting demand and supply of the said product in the market? Explain.

There is some possible factors that affecting demand and supply of the LG G2 in the market. The factors that affect demand are called the Determinants of Demand. There are a few factors that can influence the demand.

The income that earn by the individuals. The sum of all a household's wages, salaries, profits, interest payments, rents, and other forms of earnings in a given period of time. When the consumers' incomes increase, they will purchase more luxury products such as expensive jewellery and smartphone. With their luxury purchase increase more rapidly than the increase in income. Products whose demand changes directly with income are known as normal product. For a normal good, when the income increase, the demand will also increase, demand curve shifts right. There is some goods called inferior good which income have an opposite affect. Turnips and second hand goods are the example of inferior goods. For inferior goods, the demand will decrease as income increases, demand curve will shifts left. The living standard change while the income change.

Price of related goods. There is two types of product categories can affect the demand of the goods which is substitute goods and complementary goods. Substitute goods is can be consumed in place of one another. When the price of other substitute for LG G2 decrease such as Apple, Samsung and etc, The demand of LG G2 will goes up. This is because consumers tend to get a cheaper product with a good quality. Other words, when the competitors decrease their prices, our demand will fall down due to the consumers behaviors. Besides, there is a complementary goods will affect

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the demand. Complementary good means goods that the goods must be use together such as smartphone and apps. A decrease in the price of apps results in an increase in demand for smartphone, and vice versa.

Expectations of future price changes. If people expect prices to rise in the near future they will try to beat the increase by buying early. For example, if the consumers can expect the price for LG G2 will increase in the near future, they will buy it now and the demand will increase. The expectations that consumers have about future changes in prices and their own incomes have affect their current purchases. Another example, if a majority of consumers expect the price of LG G2 will fall, the current demand for LG G2 decreases. This is because consumers will delay their purchases of the goods until the expected drop in price occurs.

Population. The size and make up of the population affect demand. If there is a growing population more good is demanded. If the population is stable and there is an aging population, the demand is going to decrease due to LG G2 is a modern technology which suit to the young generation. Not all old generation people can accept and know how to function it.

Consumer preferences. People's preferences also affect buying behaviors. This is because everyone have different preferences and tastes based on their personality. For example , for those Apple users, they get used to the Apple product and could not simply change the preferences. Consumer preferences are also influenced by current fashion or advertising. For example, individual may get influence by others such as family, relatives and friends. Besides, advertising can also influence them by using attractive

image. This is because the individual behavior and their consumer preferences.

Number of buyers. When the number of buyers for LG G2 increases, more purchases are made. This is because if the number of buyers increase, the consumers can get the goods easily. If the product can get it only at a few location, the consumers will feel difficult and hard to get it and will get another product which can get it more easily. There are some factors that affect the supply in the market which can cause an increase or a decrease in a product's supply. The factors that affect supply are called the Determinants of supply. There are a few factors that can influence the supply.

Number of producers. An increase in the number of suppliers will increase the supply. The larger the number of suppliers of a good, the greater is the supply of the good. This is because if the product is produce more in the market , it will not face the surplus in the market and the consumers can get the product easily. This will tend to increase the sales and the supply curve will shift to the right. LG company can increase the production for LG G2 to fulfill the consumer in the market.

The cost of production. A rise in the price of productive resources which is the input price for LG G2 such as the copper and the wires lead to a higher cost of production, thus lead to decreases supply and shift to the left.

Besides, government intervention such as taxation and subsidy will affect the cost of production. For example, the LG company which is a Korean company, they produce their product and export to other countries will charged on the taxation. If give the tax on the seller, the cost will be higher

and the supply will decrease. If the government give subsidy to seller, the cost will be lower and the supply will increase.

State of technology. Technology level which will affect the production process and influence the supply in the market. With the improves in the technology efficiency, more units of good can be produced at every price, therefore the supply will increase. The LG company should increase their technology by use high technology machine tend to cut cost and time consuming in the production method. This will increase the supply curve and shift to the left.

Producers expectation. If producers expect the price of the LG G2 to change in the near future, this affects the product's current supply. For example, LG company may know the price for smartphone will soon decrease. In this situation, LG company will provide the product as much as possible now, intend to raise its current supply. In contrast, an expected rise in the price of smartphone, the LG company will hold back on the amounts they make available to the market, immediately reducing the production of the LG G2.

Price of related goods produced. A substitute in production for a good is another good that can be produced using the same resources. For the substitute product, if the price of substitute product decrease, the supply of a good rises. For example, LG company produce many types of smartphone . If the other smartphone's price decrease, the LG G2 smartphone's supply will increase. Besides, good which are complements in production if they must be produced together. For complement products, if the price of the

complementary increase, the supply of a goods increase with a positive relationship.

Changes in nature. This will not happen in Malaysia but for LG company that from Korea. For example, an early frost, record high temperatures, a flood, or an

Earthquake that can affect the supply of many products. For example, LG company will decrease the supply of their products include LG G2 smartphone due to the natural disaster. The market supply curve for LG G2 smartphone therefore will shift to the right.