Example of supply and demand of a product or service essay

Business, Company

The supply and demand curves were determined after drawing a demand and supply schedule. The demand schedule is drawn by determining the quantity demanded at respective price of the iPhone phones. Thereafter, a graph is plotted based on the quantity demanded and the price to produce the demand curve. Consequently, the supply schedule is drawn by determining the quantity supplied at different prices of the iPhone phones. Thereafter, a graph is plotted based on the quantity supplied and the price. For instance, the quantity demanded of iPhone phones is 1 million at the price of 500 dollars and 600 dollars for iPhone 4 and iPhone 5 subsequently. Consequently, the quantity demanded of iPhone phones is 5 million at the price of 100 dollars and 200 dollars for iPhone 4 and iPhone 5 subsequently. Joining the two points, we get the demand curve. On the other hand, the quantity supplied is 1 at the price of 100 dollars. In addition, the quantity supplied is 5 when the price is 500. Thereafter, the two points established are joined to get the supply curve.

Currently, there is no market equilibrium. The introduction of the iPhone 5 phones into the market has increased the demand as shown in the above graph. However, the supply of the iPhones has remained constant. This results to excess demand in the market due to the supply not meeting the demand. Thus, there is no market equilibrium. The increase in demand causes the demand curve to shift as shown in the graph above (Klein, 1983). The increase in demand results to shortage of about 1 million iPhones. The increased demand is due to the high quality of the iPhone 5 phones as compared to the iPhone 4 phones.

In order to drive the market into a more efficient one, the Apple Company

can increase the price of the iPhone phones to 350 dollars. An increase in the price will create a new equilibrium. In addition, the company would move upward along the supply curve. Moreover, this would cause the quantity demanded to reduce by 500, 000 million. The quantity demanded would reduce due to the customers reduced willingness to pay a high price for the Phone. The quantity supplied will equal the quantity demanded thus creating an efficient market equilibrium. In addition, Apple Company operates in an oligopoly market in which each firm operates interdependently. Thus, the price increase would not affect negatively the sales of the company. This is because of the high quality of the iPhone and the loyalty of the customers to apple products.

Besides, the company can increase the quantity supplied. Increase in quantity supplied would lead to a shift in the supply curve (Klein, 1983). Essentially, a new equilibrium will be attained at the point where the new demand and supply curve meet. The market will be efficient since the company would eliminate the existing shortage of the iPhone 5 phones. Thus, the quantity demanded would equal the quantity supplied.

In conclusion, the introduction of the iPhone 5 phones into the market has increased the demand of the iPhone while the supply has not changed. This has caused a shortage and led to a shift in the demand curve. In order to make the market efficient, the company should raise the prices. In addition, the company can increase the quantity supplied until there is no excess quantity demanded.

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