

Demand for computers in the market



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Since technology took a turn, computers had made it more easy accessibility for people past 10 years. As the computers have been revolutionized the way people spend their life in work and leisure has been changed since 1995. Comparatively, today an average man spends more than two to three hours on a computer. The buying capacity of people and the affordable price of desktop and laptops had made it popular day by day this is because of the increasing demand for computers in the market.

The computer market has always experienced a revolution in its demand and supply. Soaring annual increase rates have given more modest annual growth in sales, demand, revenue, and this lead the market entering a established stage of growth. Even after 2008, with the crash of recession we predict that the destiny of this industry will improve; as the annual growth in the market's value will be more than 7% annually. This estimation are made on the basis of the law of demand and supply and as mentioned in the report with the increasing sales in the computers the prices are still falling down because of the following determinants of demand and supply mentioned in the report, as there are new entrants in the computer market and the consumer preferences towards the technology have been changing and the factors affecting to this are shown in the graph. The shift in the demand and supply plays an important role in the computer prices as the factors related to this theory has always occurred to change the prices of computers and also its demand in the market.

Whenever the supply of any product increases more than its demand then the prices of that product decreases and quantity inversely increases with its supply and one of those examples is computer.

INTRODUCTION

Strategic analysis and innovating marketing means analyzing and implementing the strength of business and implementation of a new marketing system. The strength of the business, its position and understanding the important external factors which influence the position of business. Innovating marketing means implementation of a new marketing technique by using the changes in product, its price, design, strategies or introducing new product which can bring a new revolution in the same or different markets too. There are different kinds of tools by which one can assist strategic analysis like PEST, SWOT. ect.

The assumptions, theories, principles, and models, which brings the ideas of demand and supply of the marginal utility and the cost of production into an entire sector.

(The book ‘ principles of economics’ by Alfred Marshall 4th edition)

Economics can broadly be described as the assumptions, theories, principles, and models which deal with the market process works. It tries to explain how wealth is created and distributed and how people allocate resources that are scarce and have many alternative uses, and other such matters that arise in dealing with human wants and their satisfaction.

([http://www. businessdictionary. com/definition/economics. html](http://www.businessdictionary.com/definition/economics.html))

Why do lectures earn \$30, 000 per year were as some professional athletes earn \$18 million per year? Isn't education more important than sports? Why is the price of an ounce of diamonds far higher than the price of an ounce of

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water? People need water to survive; diamonds are luxuries. These types of paradoxes abound. As you may have guessed by now, the answers lie in the forces of supply and demand.

(<http://www.econweb.com/MacroWelcome/sandd/notes.html>)

Relationship between demand and supply:-

In fact, demand and supply and the relation between them lie at the very center of economics. Demand and supply is two exceptionally critical tools as so it is little to understood and more confused. By this we can begin and say that there is no 'law of demand and supply', hence this both are different aspect and separate laws: the law of demand and the law of supply, each of this law works freely to each other. We would first discuss the law of demand and then the law of supply and see how this both interacts with the price and quantity of computers in free market.

Computer revolution

The world has changed'.. Has it? Yes, it is true that technology always participate a role in the lives of humans in the past, as it still does today and this will continue in future too. The effect of current scenario of technological overflow, in the computer revolution, is noticeable in the lives of billions of people all over the world.

People looking to buy a new computer are in luck: The computer industry's first-ever sales slump means retailers and manufacturers are taking drastic measures to offer consumers low prices.

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How low?

Try a \$900, \$700 or even \$400 personal computer package, depending on make and model. Laptops are selling for as little as \$1, 200.

(Microeconomics by Perkins, 6th edition)

(<http://www.accessmylibrary.com/article-1G1-120868580/computer-producers-slash-prices.html>)

Firstly, we began with 'The law of demand and demand curve' as it is easy to understand and explain; the law of demand holds that 'other things remaining the same, the higher the price of a good or services, the smaller is the quantity demanded'. The reverse is also true: as the price of a good or service falls, its quantity demanded increases. This law is simple.

(Microeconomics by Perkins, 6th edition page 59)

Figure (1) lists out the monthly quantity of computers by a trader given several different prices, if the price is ### the trader buys 10 computers and if the price is ### he buys 20 and so on: the figure shows 'demand curve' plots the inverse relationship between the price and quantity demanded.

Movement in demand curve:-

The movement refers to the change along the demand curve, a movement in the demand curve refers to the change in the both price and the quantity from one point to another point along the demand curve, this figure shows how price and quantity of computers change along the demand curve, for <https://assignbuster.com/demand-for-computers-in-the-market/>

example when the price of computers increase from \$300 to \$400 dollars the quantity demanded reduces from 30 computers to 20 computers.

Shift in the demand curve:-

A change in the other variables of the main product which determine and influence the quantity demanded creates a shift in the demand curve or a change in demand. There are main four factors which shift the demand curve, they are

1) Change in the consumer incomes:-

As the previous figure (4) shows an example of the shift in the demand curve, as increase in the income of the consumer the shift in the demand curve is towards right and decrease in the consumer income the demand curve shifts towards left, this is because the customers demand for the goods and service is controlled by their incomes. We estimate that the UK computer market, as defined was worth ' 56. 96bn in 2002, a marginal decline on the figure for the previous year. In 2003, the market again saw little change in value, with sales reaching an estimated ' 58. 11bn. ' This is because the average weekly income of all men and women in UK in 2003 was ' 450 which was raised by ' 400 in 2002, as the income level of the consumer increases their purchasing power also increases'. In 2009 when the UK economy has entered the recession more and more people become unemployed and also the income level of some people declined, this resulted in the demand curve of computers towards left as there was no buyer in the market. This resulted in the fall of computers sales from an average ' 500 to

‘ 400, but still the prices were not as sufficient for the consumers to buy a laptop of their own choice.

2) Change in the population:-

Every increase in the population shifts the demand curve towards the right. For instance imagine a college of masters in which every year new students take admission and laptops are compulsory for their preferred course, however the demand for the computer increases and afterwards the demand for the laptops decrease as there are no buyers for certain period and this is how the changes in the population increase and decrease in the price of laptops and shifts the demand curve. For example, I dint had a laptop but when I joined my college for my masters I had to buy one which was for ‘ 300 in the market but now after six months the price of same laptop is ‘ 275 in the market.

3) Consumer preference towards computers:-

‘ This is used primarily to mean an option that has the greatest anticipated value among a number of options’. When the preferences of a consumer for any particular product increases the demand curve shifts towards the right and when the preference of a consumer for any product decreases the demand curve for that product shifts towards left. There are many computer companies in the market which produce desktop and laptop, table (3) shows how the price and consumer preferences of various laptops can shift the demand curve.

4) Prices of related goods:-

When the prices of related goods changes, then the demand curve of the original product will change along with it. There are two types' related goods,

a) Substitutes: – substitutes are those products that can be used in place of main product. In computer market the manufacturer keep changing the price of its product very often, for example, if the price of ACER laptops increase, the demand curve of dell laptops shifts to it right, subsequently the prices of other laptops also shifts to its right, on the contrary if the price of ACER laptops decrease then the demand curve of DELL laptops shifts to its left.

b) Complements: – complements are those products which are consumed simultaneously with the main product. For example you cannot use a laptop or desktop without the software installed in it. Whenever the price of the complement increases the demand curve of the main product shifts to its left. When the price computer increases, then the demand curve of its complement product like software's, printers, shifts to its left and whenever the price of the computer decreases then the demand curve for computer printers and software's shifts to its right.

The law of supply and supply curve: –

Supply is bit more difficult to understand because most of us have less knowledge and understanding towards the side of market. The law of supply states that ' other things remaining the same, the higher the price of the good, the greater is the quantity supplied'

A movement v/s a shift in the supply curve

There are always two types of changes causes in the supply curve, 1. A movement along the supply curve 2. A shift in the supply curve.

A movement along the supply curve: – any movement along the supply curve, weather it is upward or downward, is due to its changes in the price of the main product.

Let see how there is a movement along the supply curve in computer market; let us consider that the price of Acer 4736z is increased by '50 then will see a movement in the supply curve as increase in the price of Acer laptop will effect in extension of the supply curve in of Acer laptops and in the way same if there is a fall in the price of Acer laptop we will see a contraction in the supply curve of Acer laptops. Let's see this through the graph.

Shift in the supply curve: – any shift in the supply curve is due to change in any non-price determinant factors.

Let us see, the factors which can shift the supply curve of computers in the market:-

1) Changes in the input cost: – to produce a product every manufacture should combine raw material, capital, labor, and so on, The same way to produce a computer every firm require raw materials like (processor, hard drive, screen, portable sockets) then labor and capital. If the input cost of any of this input increases this will result in the increases of the price of the computer, the less attractive profit opportunities force the producer to cut output, thus the raise in the input cost shifts the supply curve of computers

to its left, the same way if there is any decrease in the input cost of the computers then the quantity supplied will increase and the supply curve will shift towards its right.

2) Increase in technology: – A narrow definition of technology is nothing but a cost-reduction or improvement in the product. Technology allows the firms to generate any given item at lower cost. The new innovation and advancement had made a huge improvement in the computer market, this has radically declined and lowered the cost of computers in the market, and this also has improved the computers at every alternative period and has also lowered the cost of production of computers. Previously, the price of one laptop was on an average about ‘ 800 to ‘ 900 and was very difficult for everyone to afford a laptop or a desktop but with the improvement and innovation in the computer field had made the price of computer to an average of about ‘ 500 it very easy for every individual to buy a computer of their own. This technological change, the supply curve of computers moves towards its right as there is an increase in the quantity supplied.

3) Change in the size of market: – whenever the size of the market changes the supply curve shifts. The computer market has always experienced a change of gear from 1950 till present, in 1950 there were only few company who manufactured computers like IBM, Apple, and today with growing IT sector there are more than dozen of companies manufacturing computers with all different prices and configuration: highest annual growth rates have given way to more diffident annual returns, and the market is entering into a mature stage of growth. Even after 2004, we foresee that the fortunes of the computer industry will improve; annual growth in the market’s value will be

less than 7%. In short, as more firms entered the market the output of computers increases even if the price of the computer remains steady and thus this lead to the supply curve shifts towards its right and if there is any shrink in the computer market then the supply curve tends to shift towards it left.

CONCLUSION

In this environment, now we have all the necessary tools to resolve these paradoxes presented in beginning and during this episode. With the increase of the demand in computer supply, still there are frequent fall in the prices of computers this is because of the forces mentioned above. Supply and demand are the main reason for these forces to come in the act for the rapid decline in the price of the computers. During this price theory, whenever we refer to a change in the price of the product, we mean a transform in that product's relative price too. All the forces (factors/determinant) that raise the price of computers when other prices stay constant tends to raise the price of that product faster than the price level during the inflation. We can conclude that the demand for computers has clearly increased eventually this is due to the higher incomes and also the changing preferences towards computers. Technology had played a very important role in the changing of the computer prices in recent time. There are four laws of increased and decreased in the price and quantity of computers, they are:-

- a) Increase in demand, price and quantity both increases
- b) Decrease in demand, price and quantity both decreases

c) Increase in supply, price decreases and quantity increases

d) Decrease in supply, price increases and quantity decreases

Here is a small graphical example explaining the demand and supply of computers with the increasing in demand and supply but falling in the prices of computers in today's free market.

(<http://www.psclocalgov.org.sa/web/ppt/Micro-Economics/DemandnSupply>)

Now, Graphically we can show that, if supply increase more than the demand, price falls, because greater supply due possibly lower the input cost of production of computers and also allows the advancement of better technology for more firms.