

Touchpad



TouchPadEconomic/October 3, 2011 Hewlett Packard's foray into tablet computers is a good example of the laws of demand and supply, surplus and shortages. HP entered the tablet market with the HP TouchPad in August 2011.

Market Equilibrium was never achieved with the HP TouchPad. Apple and their iPad currently dominate the tablet computer market. Sales of TouchPad were so poor, HP dropped prices on the tablets by more than 80%. Law of Demand and SupplyThe price of the TouchPad was fairly expensive when first released. Potential customers were already enamored with Apple's iPad, which cause a determinant of demand on the TouchPad.

The determinants of demand are sometimes referred to as demand shifters. (page number McConnel, Brue and Flynn). Unfortunately HP couldn't convince consumers their product was as good as the competitions. Now HP had a surplus of tablets in inventory that weren't moving. In the computer industry inventory must move and everyday of stagnation millions of dollars can be lost.

Once they began lowering their prices the law of demand kicked in and the TouchPad began to sell. At the same time the law of supply was decreasing the quantities supplied as prices continued to decrease. Eventually HP lowered the prices to a ridiculous \$99.00 for a 16GB model, and \$149.

00 for the 32GB model. Demand went through the roof with many vendors selling out in hours. Demand was higher than inventory and there were TouchPad shortages worldwide. Market EquilibriumHP is set to produce more

TouchPads this fall but haven't said they will keep their fire sale prices in place.

Of course demand is still there but if the prices go up the demand will go down. The TouchPad never reached an equilibrium price. Initial pricing of the TouchPad was higher than buyers were willing to pay. Even when HP slashed prices by 40% buyers were still not buying.

Only when HP lowered their prices to unbelievable levels did customers get on board. But HP lost money at those super low prices. The intentions of buyers and sellers never matched.

The equilibrium price was never achieved and without it we cannot have equilibrium quantity. It will be interesting to see what happens on HP's next TouchPad sale. References McConnell, R., Brue, S., & Flynn, S. (2009).

Economics: Principles, Problems, and Policies, Eighteenth Edition. Boston: McGraw-Hill Irwin. Retrieved from <https://ecampus.phoenix.edu/content/eBookLibrary2/content/eReader.aspx>