

Dependence of demand on supply

[Economics](#)



Because supply has increased along with demand it isn't clear what decision should be made. The manager should gather information as far as how much greater the increase in demand has become. It may indicate the need to increase production. On the other hand, the entrance of new competitors could indicate the need for greater advertising to increase brand recognition, or the introduction of new products. Greater demand means that prices can be increased, as long as the demand isn't matched by the increase in supply. If the price of a substitute good increases, then demand for your product should increase.

The increase in the cost of production, however, will cause your revenue to fall if you keep your price the same. The increase in demand should enable you to increase price, selling perhaps the same number as before but at a higher price. This will keep revenue from falling.