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Coimbatore- 49

**DEPARTMENT OF COMMERCE WITH**  
**INFORMATION TECHNOLOGY**

**MANAGERIAL ECONOMICS**  
**Types of Demand**

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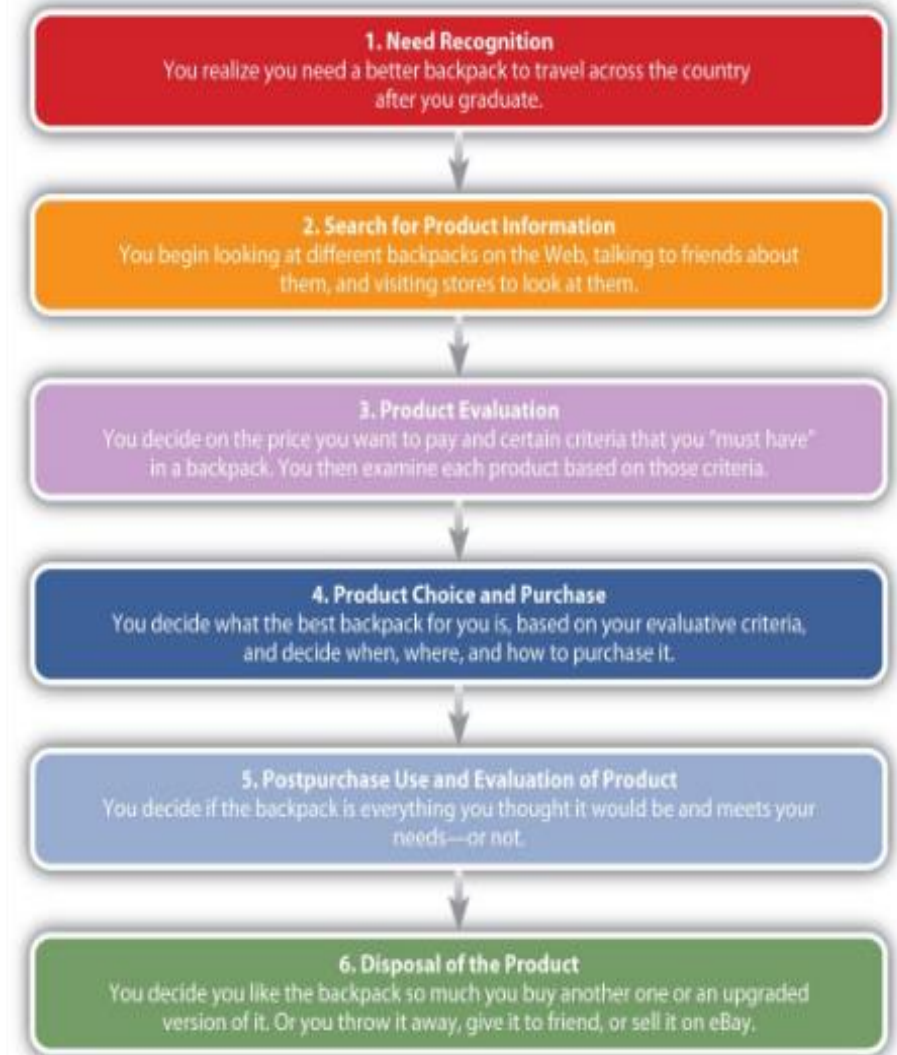
# What is Demand?

**Definition:** Demand refers to the quantity of a good or service that consumers are willing and able to purchase at various prices during a given period.

**Desire:** The wish to have a product.

**Ability:** The purchasing power (money) to buy it.

**Willingness:** The readiness to spend money on it.



# Price Demand

## The Law of Demand

Price Demand refers to the relationship between the price of a commodity and the quantity demanded.

**Inverse Relationship:** Generally, as price *increases*, demand *decreases*.

**Condition:** Assumes other factors (income, taste) remain constant



# Income Demand

## Impact of Earnings

Relates the quantity demanded to changes in consumer income.

**Normal Goods:** Demand increases as income rises  
(e.g., branded clothes, organic food).

**Inferior Goods:** Demand decreases as income rises  
(e.g., generic brands, public transport).



# Cross Demand

## Related Goods

How the price of one good affects the demand for another.

**Substitutes:** If the price of Coffee rises, the demand for Tea increases (Positive Relationship).

**Complements:** If the price of Petrol rises, the demand for Cars may decrease (Negative Relationship).



# Joint Demand

## Better Together

Joint demand occurs when two or more goods are used together to satisfy a single want.

The goods are complementary. You typically don't want one without the other.

*Examples: Bread & Butter, Mobile Phones & SIM Cards, Shoes & Socks.*



# Composite Demand

## One Product, Multiple Uses

Composite demand happens when a single commodity has multiple different uses.

If demand for one use increases (e.g., steel for cars), the supply available for other uses (e.g., construction beams) may decrease, driving up the price.

*Example: Steel, Electricity, Milk.*



# Derived Demand



## Dependent on the End Product

This occurs when the demand for a product depends on the demand for another product.

The demand for factors of production (land, labor, raw materials) is always derived.

*Example: The demand for raw cotton is derived from the consumer demand for t-shirts.*

# Individual vs. Market Demand

## Individual Demand

The quantity of a good demanded by a **single consumer** at a specific price and time.

## Market Demand

The **sum total** of all individual demands in the market.

It represents the aggregate quantity that all consumers are willing to buy.

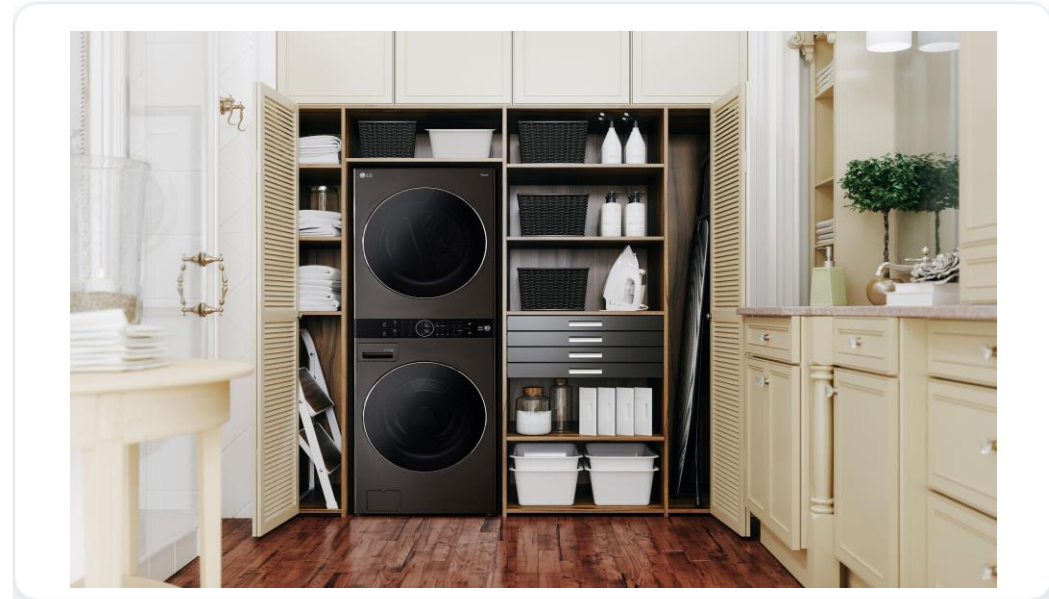


# Perishable vs. Durable Demand



## Perishable Goods

Goods with a short lifespan. Demand is frequent and often immediate. Prices can fluctuate rapidly based on freshness.



## Durable Goods

Goods that last for a long time. Demand is less frequent and purchase decisions are often planned (e.g., cars, appliances).

# Competitive Demand



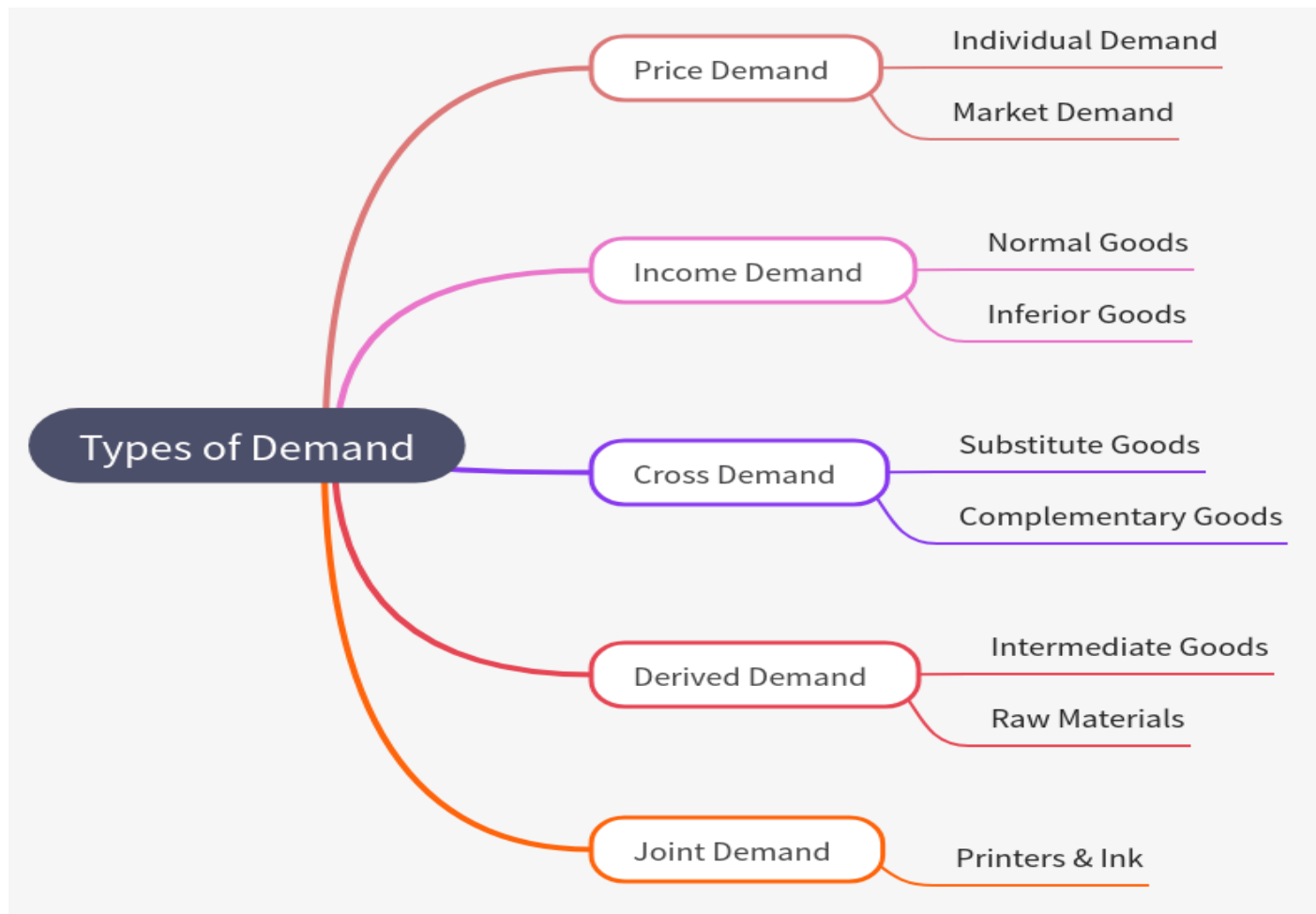
## The Battle of Substitutes

Competitive demand arises when there are alternative products that can satisfy the same want.

If the price of one brand rises or availability drops, consumers switch to the rival brand.

*This drives competition and keeps prices in check.*

# Mind Map : Types of Demand



# Case Study

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A supermarket reduces the price of premium rice. Sales increase from 50 bags per week to 120 bags.

At the same time, people with higher incomes start buying more organic products.

## Question

1. What type of demand is shown when the price falls and sales increase?
2. What type of demand increases when income rises?

## Answer

1. Increase in sales due to lower price = **Price Demand**.
2. Increase in demand due to higher income = **Income Demand**.