TYPES OF DEMAND

Joint Demand

- Joint demand is the demand for complementary products and services. These can be products that are accessories for others or that people commonly purchase together. For example, cereal and milk or peanut butter and jelly. The two are linked, but the demand for one is not necessarily dependent on the demand for the other.

COMPOSITE DEMAND

- Composite demand happens when there are multiple uses for a single product. For example, corn can be used as animal feed, ethanol and food in its whole form. The rise in demand for any of these products leads to a shortage in supply for the others. This shortage can lead to a rise in price.

SHORT RUN AND LONG RUN DEMAND

- Short-run demand refers to how people will immediately react to price changes while elements are fixed. For example, if the demand for a product drastically decreases and a manufacturer has high overhead costs, they have no choice but to absorb the profits lost. Over time, or in the long run, companies have a chance to adjust to the new situation by decreasing labor or increasing prices and supplies.

PRICE DEMAND

- Price demand relates to the amount a consumer is willing to spend on a product at a given price. Businesses use this information to determine at what price point a new product should enter the market. Consumers will buy items based on their perception of that product's value. Price elasticity refers to how the demand will change with fluctuations in price.

INCOME DEMAND

- As consumers make more income, quantity demand increases. This means people will buy more overall when they earn more income. Tastes and expectations also change with an increase in income, reducing the size of one market and increasing the size of another. Consumers will often buy a product or service because it is what they can afford but may deem it lower quality. The demand for those lower-quality products will decrease as income increases.

COMPETITIVE DEMAND

- Competitive demand occurs when there are alternative services or products a customer can choose from. From a business's perspective, they can use fluctuations in the price of their competitors to determine how their own will sell. An example of this is between name-brand and store-brand medicine. If a consumer prefers a name brand but it is out of stock or the price increases significantly, the store brand will see a rise in sales.

DIRECT AND DERIVED DEMAND

- Direct demand is the demand for a final good. Food, clothing and cell phones are an example of this. Also called autonomous demand, it's independent of the demand for other products.
- Derived demand is the demand for a product that comes from the usage of others. For example, the demand for pencils will result in the demand for wood, graphite, paint and eraser materials. In this example, the demand for wood is dependent on the demand for its uses.
- Derived demand is similar to joint demand because of its connection to other products. It is different from joint demand because it is dependent on the final product to generate a need. Without the need for those end products, there is no demand for the intermediate product.