



FACTORS AFFECTING THE AMOUNT OF SUPPLY AND DEMAND OF A PRODUCT: HOW ARE THEY FORMED IN THE ECONOMY AND WHAT DO THEY DEPEND ON

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Annotation: The economic sphere is in continuous development. Entrepreneurs are constantly developing new marketing plans for business growth, in which they describe each step-in detail, while paying special attention to the pricing point. The issue is one of the most difficult and most urgent, since it is necessary to bring the company to a good profit by increasing sales and covering all costs, as well as taking into account possible costs in the future to improve the technological process. The laws of consumer demand and supply of goods will be decisive in the described situation. In the article we will consider the main factors in the economy that affect their formation, change in magnitude, and give relevant examples.

Key words: marketing plans, business growth, commercial proposals, external conditions.

The term can be described as the need of citizens to purchase certain products and services with subsequent payment, and its value is the amount that will be purchased depending on the solvency of buyers and the set prices. This ability is expressed in monetary form and directly depends on the client's income. It is he who is one of the most important links in determining the current state of the market.

In the absence of human needs, the sales level decreases, which means that the development of new commercial proposals becomes meaningless.

Economic reasons for the change

The main feature affecting the degree of interest is the cost, its adjustment, relevance, as well as the solvency of the buyer. That is, it is a variable that depends on: volume, where the variable is only the current prices for products;



a character that can change when changing external conditions that previously had a constant value.

To explain the reasons for the change in demand, it is necessary to determine which factors it depends on:

buyer's common sense and observation. That is, with a decrease in the size of the average check for some things, the demand for them increases. The price for the buyer is a kind of barrier that becomes an obstacle to acquiring what you want. Simply put, high price tags discourage any desire to spend money on goods/services, even if they are desirable;

during the time period under review, each subsequent similar product will bring less satisfaction or benefit from the unit. That is, the second, third and each subsequent cake will no longer be as desirable as the first;

the effect of substitution with budget analogues. Today, the buyer is always looking for benefits and buys cheap options with identical properties from a competitor.

What non-price factors influence the formation and magnitude of demand

Regardless of the setting of a high or low price, a person may show more or less attention, which is why there are separate reasons for the need to purchase certain things.

Consumer income

With an increase in average earnings in a region or country, wage indexation and other components of profit, there is an increase in demand for products sold. At the same time, entrepreneurs need to take into account that there is a possibility of a change in the structure of consumption, which means that individual categories do not obey the general pattern. Thus, the purchase of low-quality or used goods decreases: with an increase in income, there is no need to purchase them due to the opportunity to find a better and more relevant option. In this case, all products are divided into lower, normal and higher categories.

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What influences the amount of demand: tastes and fashion

The replacement of products with more relevant ones most often occurs under the influence of advertising, reviews, etc. In this case, when updating, interest in them increases, while outdated offers decrease. This factor is most pronounced in the field of clothing and shoes, gadgets and accessories, and with regard to durable goods, the increase in demand is less pronounced and manifests itself within 1 year or even several years.

Number of consumers

Population changes can be natural — an increase in fertility /a decrease in mortality, as well as artificial — migration. Thus, in megacities there is a regular and stable increase in the number of permanent residents, which means that demand is growing.

In terms of international trade, the introduction of goods to the markets of other countries contributes to an increase in the number of buyers, but the rule only works with respect to universally demanded high-quality substitute goods. For example, the sale of national clothes and outfits remains relevant for representatives of individual cultures with the specifics of use in a certain area.

Prices for substitutes

Today, everything on the market has substitute products with similar functions. Offers from a single category share competitive positions (TV companies, car brands, etc.). With an increase in prices, buyers often turn to a more budget-friendly analogue. The rule applies to products with similar properties or functions. In case of choosing complex technical or electronic devices, the client additionally studies its unique characteristics and capabilities.

Consumer expectations

The change in demand also depends on consumer expectations regarding a possible increase in income or an increase in the price tag in the future. So, when predicting extreme situations, one can observe an increase in interest in essential



products, and when waiting for a decrease, the buyer postpones a visit to the store for later.

This factor is quite difficult for entrepreneurs to predict and in most cases is not taken into account when building a curve model.

Availability of complementary products

Certain categories have additional components that provide more comfortable use or are completely integral.

In most cases, the item is attributed to complex technical accessories, as they are the most striking example. For example, using a professional camera is impossible without a memory card or cable, and a tripod, additional lenses, and a flash increase user comfort and have a positive effect on the quality of work. At the same time, less complex equipment is quite suitable for household use, accessories for which will be several times cheaper. Thus, with an increase in prices for supplements, consumer interest in individual models or sometimes even a group decreases.

Seasonality

It is quite easy for both the entrepreneur and the buyer to predict the demand for such goods. Some stay at home waiting for huge discounts and buy skis in the summer. However, despite the existing "out of season" promotions, most of the purchases still fall in the middle of winter, when people rush to the festivities.

Non-price factors of the offer

The main determinant is the price set by the manufacturer and the seller. There are also other components that are not related to cost. Their change entails the replacement of the value at a given price tag.

Technology level

Constant technological progress contributes to an increase in the level of return on resources, due to which a greater number of units sold on the market are produced. Thus, the introduction of ceiling lines makes it possible to increase production volumes per worker, which ultimately contributes to the growth of the supply curve. At the same time, the factor is not taken into account in enterprises where manual work or the use of traditional methods are necessary.

Resource prices



The increasing costs of the enterprise, namely the constant increase in prices for resources, forms a directly proportional relationship with the pricing of products, that is, its cost increases. Thus, the item in question has the opposite effect on the value in terms of growth.

Payment of taxes

The goods already have a profit tax charge, which provides full compensation for the manufacturer. This item has the greatest impact on the supply curve for enterprises engaged in alcohol or tobacco products, as well as for fur factories. The constant increase in price tags for these categories helps to limit the number of units produced and purchased.

Number of manufacturers

The appearance of competitors in a single area causes an increase in the number of groups of items in stores, but their appearance soon causes limited resources. The shortage of raw materials in the region forces entrepreneurs to import them from other places, and therefore increase the average check.

Manufacturers' expectations

The factor directly depends on the requests of the end user. So, when planning to increase the receipt for basic products, the seller can limit the number of deliveries to retail outlets in order to get more benefits in the future. It is also possible to increase the volume of production to ensure a leading and competitive position in the market.

Prices for other products

The constant search for a more profitable investment capital is explained by the rising prices for similar options. Entrepreneurs tend to invest their funds in the most profitable direction, and at the same time, capital outflows from other areas occur, which, accordingly, reduces the volume of supply. This factor is more important for similar production conditions, which guarantees minimal investments in the retraining of the plant.

Seasonality

The largest stocks of fruits and vegetables, for example, will be sold in the warmer months (summer or early autumn). Sales decrease in winter.

Customs and traditions



The sale of goods related to the characteristics of a particular nation also has a great impact. So, in China or Japan, the population mainly uses chopsticks when eating. That is why the volume of fork development in the country is minimal.

Elasticity

The following factors influence supply and demand:

price;

per capita income;

cross-referencing for interchangeable analogues.

The term explains the ability of the main economic features and components to change and adapt to existing market conditions. The indicator is calculated on the basis of a coefficient that reflects the ratio of changes in the volume of purchased goods relative to the adjustments made in its value.

How to set your own rates

The main concept of pricing, planned in conditions of increased profit, is to understand how elastic demand will be. The desire to constantly increase consumer interest is quite natural for every competing firm, which allows the most competent entrepreneurs to break into leading positions, but it is by understanding the criterion of magnitude that you can take a large market share by offering your product or service at the most favorable and optimal price.

From this statement, it can be concluded that the products that are in the greatest demand will bring their owner a lot of income. Nevertheless, if you do not achieve high positions at the first stages due to an understated price tag, then the selling price will increase, and over time the constantly increasing price will be due to the inflation that has arisen.

The producer's income reaches its maximum value with a newly formed price only if the change in the volume of goods sold, converted to a percentage value, will be equal to the cost adjustment with the reverse sign, also displayed as a percentage. Thus, with a coefficient of elasticity of demand, the value of which is less than 1, a new increased receipt for products will entail revenue. In the event that the value of E (elastic) is greater than 1, then it is necessary to reconsider pricing and reduce it.



Profit is one of the main indicators of the successful operation of an enterprise and the effectiveness of the chosen business methodology, but it cannot exist without logical pricing, in which revenue will be maximized.

If an entrepreneur plans to change the prices for his product, then this fact must be included as part of the marketing plan, since it reflects the associated costs. An increase is often associated with an improvement in the quality of products or services that directly depend on financial investments, and a decrease is associated with the release of new products to the market, in relation to which minimum costs are calculated. Thus, all decisions related to pricing should be made taking into account the indicators and what factors affect supply and demand, as well as all possible changes — both temporary and with the prospect of switching to a regular basis. Another important fact is that any innovations should take into account the sensitivity, or rather, the solvency of potential and regular customers. Every buyer strives to find products with an ideal price-quality ratio for themselves, so it is necessary to fairly assess the trading opportunities.

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