

Determinants of demand

Determinants of demand are factors that influence how much of a product or service people want to buy. In simpler terms, they are the things that make people decide whether to buy more or less of something.

1. **Price:** The most obvious one is the price of a product. When prices go down, people tend to buy more. For example, when Indian smartphone companies like Xiaomi offer lower-priced phones with good features, more people buy them.
2. **Income:** People's income levels affect their buying decisions. When people in India have higher incomes, they may choose to buy more expensive cars like those from Tata Motors or Mahindra & Mahindra, as opposed to lower-priced alternatives.
3. **Taste and Preferences:** Different people like different things. For instance, some might prefer traditional Indian clothing from companies like FabIndia, while others might prefer Western-style clothing from brands like Zara.
4. **Population and Demographics:** The size and characteristics of the population matter. With a growing population of tech-savvy youth in India, IT companies like Infosys and TCS have a larger market for their services.
5. **Advertising and Promotion:** How much a company advertises and promotes its products can influence demand. If a company like Amul promotes its dairy products heavily, more people may buy them.
6. **Substitute Goods:** If there are similar products available, people might switch between them based on price and quality. For example, consumers may choose between different brands of tea like Tata Tea and Brooke Bond based on taste and price.
7. **Complementary Goods:** Some products go well together. If you buy a mobile phone, you might also need a charger. So, if phone companies offer bundles with chargers, it can boost demand for both products.
8. **Expectations of Future Prices:** If people expect prices to go up in the future, they might buy more now. This can be seen in the gold market, where consumers in India often buy more gold when they anticipate higher future prices.
9. **Government Policies and Regulations:** Government decisions, like taxes or subsidies, can impact demand. For example, when the Indian government reduced the Goods and Services Tax (GST) on certain products, it made those products more affordable and boosted demand.
10. **Cultural and Social Factors:** Sometimes, cultural or social trends can influence demand. For instance, the popularity of yoga in India has led to increased demand for yoga mats and clothing.
11. **Consumer Confidence:** When people feel confident about the economy and their own financial situation, they tend to spend more. For instance, if consumers in India have high confidence in the economy, they may be more willing to buy big-ticket items like cars from Maruti Suzuki.

12. **Brand Loyalty:** Some consumers are loyal to specific brands. For example, fans of Royal Enfield motorcycles often remain loyal to the brand and continue to buy their products.
13. **Peer Influence:** People are often influenced by the choices of their friends and peers. If a popular Indian celebrity endorses a particular brand of clothing, it can lead to increased demand for that brand's products.
14. **Availability of Credit:** The ease of getting credit or loans can impact demand for products. When banks offer favourable loan terms for home purchases, it can boost demand for real estate, benefiting companies like DLF Limited.
15. **Seasonal Factors:** Demand for certain products can be seasonal. For example, demand for air conditioners from companies like Voltas tends to rise during the hot summer months in India.
16. **Technological Advancements:** New and innovative products can create higher demand. When companies like Reliance Jio introduced affordable 4G internet services in India, it led to increased demand for smartphones and data usage.
17. **Natural Disasters and Crises:** Unexpected events like floods or the COVID-19 pandemic can impact demand. During the pandemic, pharmaceutical companies like Serum Institute of India saw increased demand for vaccines.
18. **Government Subsidies:** Government subsidies can encourage demand for specific products. For example, subsidies on agricultural equipment can boost demand for tractors manufactured by companies like Mahindra & Mahindra.
19. **Ethical and Environmental Concerns:** Consumers may choose products based on ethical or environmental factors. For instance, companies in the organic food industry like Nature's Basket benefit from consumers' preference for eco-friendly and healthy products.
20. **Foreign Exchange Rates:** Exchange rates can affect demand for imported and exported goods. A favourable exchange rate for the Indian Rupee can lead to increased demand for imported luxury goods like watches from Titan Company Limited.

These determinants can vary in importance depending on the product and the market conditions, but they all play a role in shaping consumer demand and influencing business strategies.