

VUSSC/Content/Entrepreneurship/Planning for the Business/Supply and Demand

6. Supply and Demand



Objectives

After reading this subsection you will be able to:

- Determine who are supplying "your product" or similar products
- Assess if there is a demand for your product
- Establish your target market

Supply is the quantity that producers are willing to sell at a given price. For example, the potato grower may be willing to sell one hundred lbs of potatoes if the price is \$0.75 per lb and substantially more if the market price is \$0.90 per lb.

The main factors which determine supply are:

- the market price of the product
- the cost of producing it

Market price is the current or existing price that suppliers are asking and customers are paying for a product.

You must determine the current/market price of the product you intend to supply. To do this you must investigate the market. You may use the telephone directory/internet or visit suppliers in your area to determine how many other persons/companies are supplying the product you intend to supply.

- Are they supplying enough to meet the needs of the market?
- Are there always shortages?
- What part of the market is usually left without?
- What are their prices?

Later, when you calculate the cost at which you can produce your product, you will be able to determine if you can better the price of the other suppliers - your competitors. In other words, can you supply your product at a competitive price in the required quantities?

You Can ... Then this may be your niche - your target market!

Demand is the quantity of a good that consumers are not only willing to purchase but also have the capacity to buy at the given price per unit. For example, a consumer may be willing to purchase 2 lb of potatoes if the price is \$0.75 per lb. However, the same consumer may be willing to purchase only 1 lb if the price is \$1.00 per lb.

- Is there a demand for your product?
- Are the customers willing to buy your product?
- How much are they willing to pay for your product:
 1. More than your competitors?
 2. The same as your competitors?
 3. Less than your competitors?



Reflection

Do You think your price will be competitive?Then it is time to get CRACKING!!!!

You will learn to calculate prices in Unit 4

Introduction | Learning Objectives | Legal requirements for your type of business | Opportunities in your environments | Competition (SWOT Analysis) | Supply and Demand | The Market | Funding for the enterprise | The Business plan | Summary

Article Sources and Contributors

VUSSC/Content/Entrepreneurship/Planning for the Business/Supply and Demand *Source:* <http://wikieducator.org/index.php?oldid=92714> *Contributors:* Cheryl Evans, Kruhly, Phsi, 4 anonymous edits

Image Sources, Licenses and Contributors

image:icon_objectives.jpg *Source:* http://wikieducator.org/index.php?title=File:Icon_objectives.jpg *License:* unknown *Contributors:* BrentSimpson, Charmcastillo, ICT-RIEM 2008-09, Mackiwg, Myron, Nelliemuller, Ontymaroks

image:icon_reflection.gif *Source:* http://wikieducator.org/index.php?title=File:Icon_reflection.gif *License:* unknown *Contributors:* Mackiwg

License

Creative Commons Attribution Share-Alike License
<http://creativecommons.org/licenses/by-sa/3.0/>
