

SATPREP

Determinants of Demand

	Habits, Fashion and tastes	Income	Substitutes and Complements	Advertising	Government Policies	Economy
Explanation	Changes in habits, fashion and taste can affect the demand for all types of goods and services.	Higher level of income means that customers are able and willing to buy more goods and services.	Substitutes are goods and services that can be used instead of each other. Complements are products that are jointly demanded.	Marketing messages are used to inform, remind and persuade customers to buy a firm's products.	Rules and regulations such as imposition of taxes on tobacco and alcohol will affect demand for certain products.	The state of the economy (whether boom or recession) have a huge impact on the spending patterns of the population.
Examples	Luxury fashion brands from France are popular amongst women around the globe.	The average person in USA has higher level of demand for goods and services than the average person in Vietnam or Turkey.	Substitutes: Coca- cola or Pepsi, Tea or Coffee. Complements: Tennis balls and tennis racquets, movies and popcorns.	Apple and Samsung spend hundreds of millions of dollars each year on their advertising budgets to increase the demand for products.	Government subsidies for educational establishments.	The global financial crisis of 2008 caused the demand for most goods and services around the world to decline.

Other factors:

1. **Seasonal Factors:** There will be high demand for ice-creams in summers, raincoats in rainy season or sweaters in winters.
2. **Size and Demographics:** Males and females have different buying habits.