3. Determinants of demand

a) Demand for product – is the quantity of good or service that customer are willing and able to purchase during a specified period under a given set of conditions.

b) Derived demand is the demand for all inputs used by a firm.

- The knowledge of demand for our products is one of the key success factors for our company and presents the competitive advantage for the firm. The estimation of demand is easy in short-term range

- But very challenging in long-term range (external factors)

- Kotler, Keller(2007) Companies can prepare as many as 90 different types of demand estimates for six different product levels, five space levels, and three time periods. Each demand measure serves a specific purpose.

- The potential market is the set of consumers with a sufficient level of interest in a market offer.

- The available market is the set of consumers who have interest, income, and access to a particular offer.

Tento obrázek nyní nelze zobrazit.

- The target market is part of the qualified available market the company decides to pursue.

- The penetrated market is the set of consumers who are buying the company's product.

- Market demand for a product is the total volume that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program. Market demand is not a fixed number, but rather a function of the stated conditions. For this reason, we call it the market demand function . (Kotler, Keller2007)

Figure 4.5
Market Demand Functions

(a) Marketing Demand as a Function of Industry Marketing Expenditure (assumes a particular marketing environment)
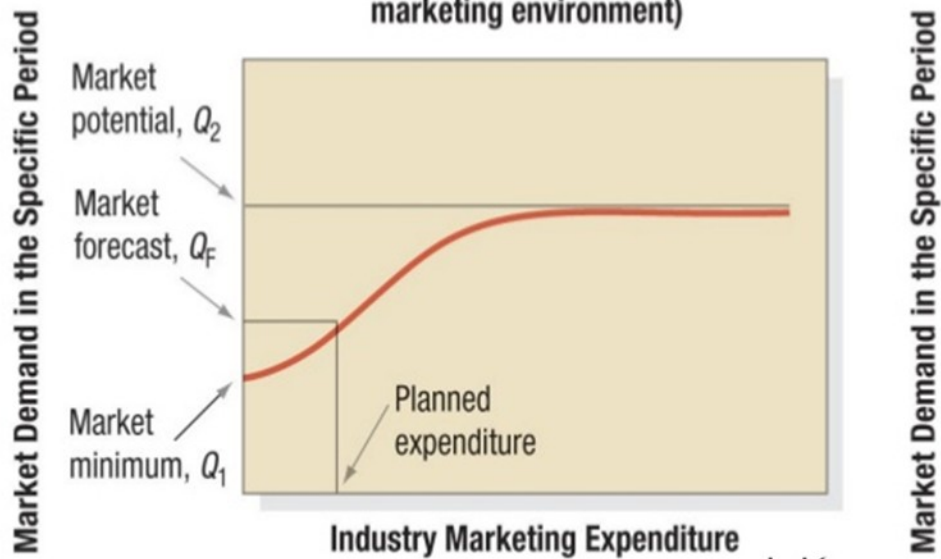
- Q1 – **market minimum** would take place without any demand stimulating expenditures (for example on marketing)
- Q2 – **market potential**– marketing expenditures beyond a certain level would not stimulate much further demand.

The distance between Q1 and Q2 shows the overall marketing sensitivity of demand.

- If the difference between Q1 and Q2 is large, that means **expansible market** –good for investing in marketing
- If the difference between Q1 and Q2 is small, that means **non-expansible market** – not affected by the level of marketing expenditure

- **Market forecast-** There can be only one actual level of industry marketing expenditure. The market demand corresponding to this level of expenditure is called the market forecast .

- **Market potential –** limit approached by market demand as industry marketing expenditures approach infinity for a given marketing environment.

- **Company demand** – is the company´s estimated share of market demand at alternative levels of company marketing effor in a given time period.

Methods of demand estimation

- **Consumer interviews** (questionnaires),
- **market studies and experiments**,
- **expert opinion**,
- **historical market data**– regression statistics, statistic analysis
- **market testing** – direct sales of products

Methods of demand estimation – market research

Problem definition
- to define clearly the problem to be tackled

Exploratory research
- to identify information gaps and specify the need for further research

Quantitative research
- utilising a sufficiently large and random sample to enable market segment size to be stimated and strenghtof opinions to be gauged.

Analysis and interpretation
- following data colection, statistical techniques and models can be employed to turn the data generated into meaningful information to help with segmentation

Case study

- Tesco use loyalty card to build profiles of its customers so that it can „generate a map of how an individual thinks, worksand more importantly, shops. The map classifies consumers across 10 cathegories: wealth, promotions, travel, charities, green, time poor, credit, living style, creature of habit and adventurous"(Hooley et, al. 2012)

Methods of estimation

Basic methods of edemand estimation can be divided as (Horáková, Kubát, 2002):
- **1) subjective and open-minded**
- **2) Quantitative and qualitative**
- **3) Simple and analytical**

- **Subjective methods –** conected with intuition, opinions and knowledge of interested persons (expert opinions)

- **Open – minded methods** - based on the raw data collection – statistic methods are used to evaluate the gained data **Kvalitativní metody** jsou založena na slovním vyjádření prognózované budoucnosti. Jde o systematické nezaujaté shromáždění údajů a provedení úsudku.

- **Quantitative methods** - include surveys, observation ar experimentation.
- **Qualitative methods-** unstructured or semi-structured interviewing methods designed to encoured respondents to reply freely and express their real feeling, opinion and motivatin.

- **Simple methods –** estimation of only one variable.

- **Analytical methods – demand estimation based on the** correlation and realtions between more variables
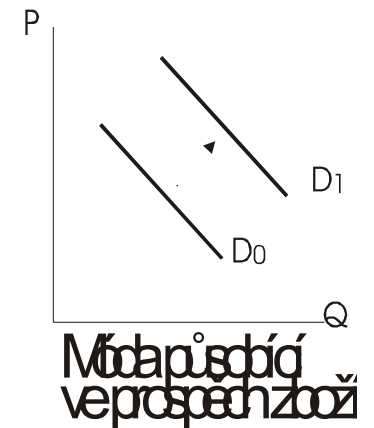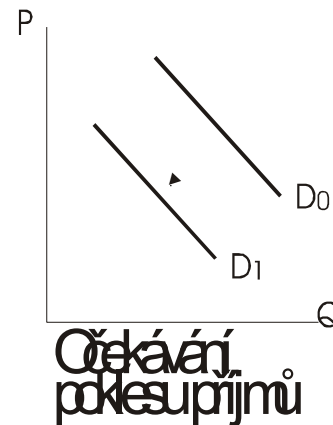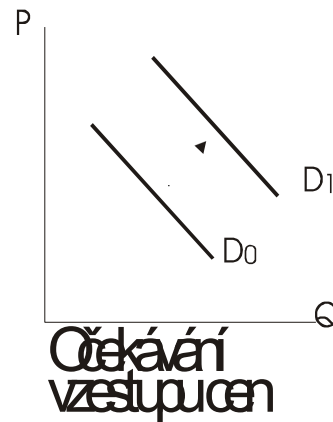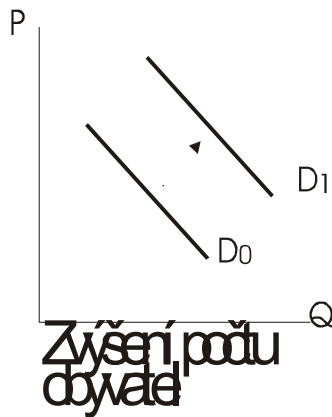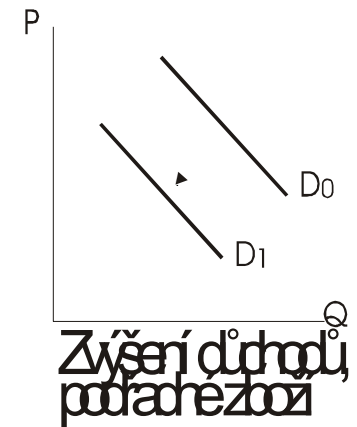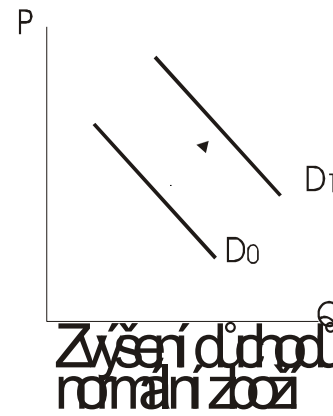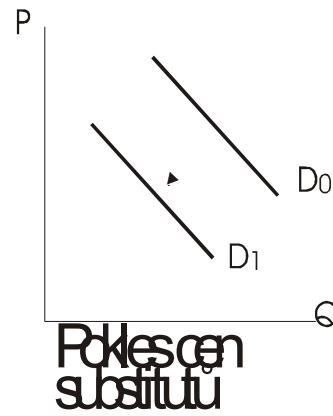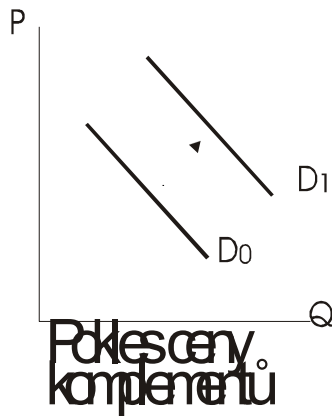
Demand influencing non-pricing factors
(Keřkovský, 2016):

- Rent.

- Preferences .

- Consumers expectations

- Prices of supplements or complements.
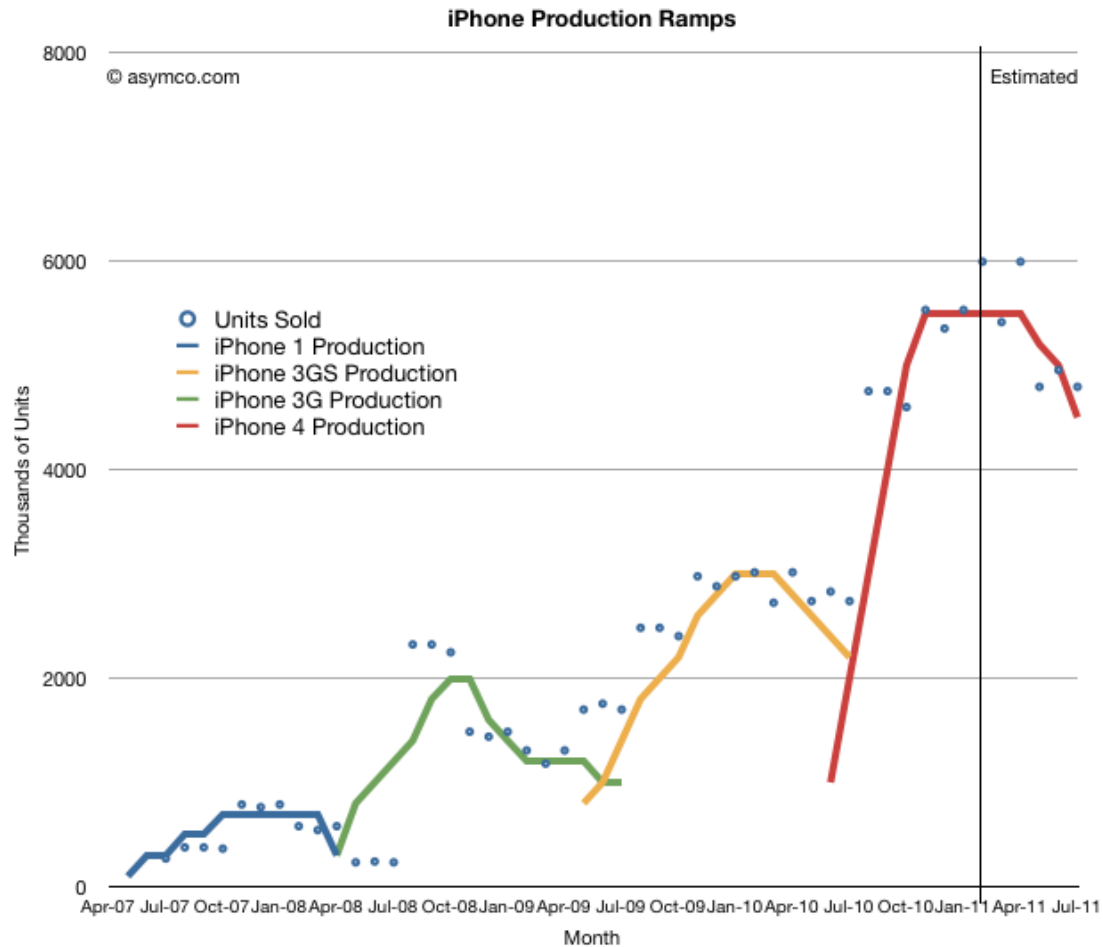
- Nuber of conusmers etc.

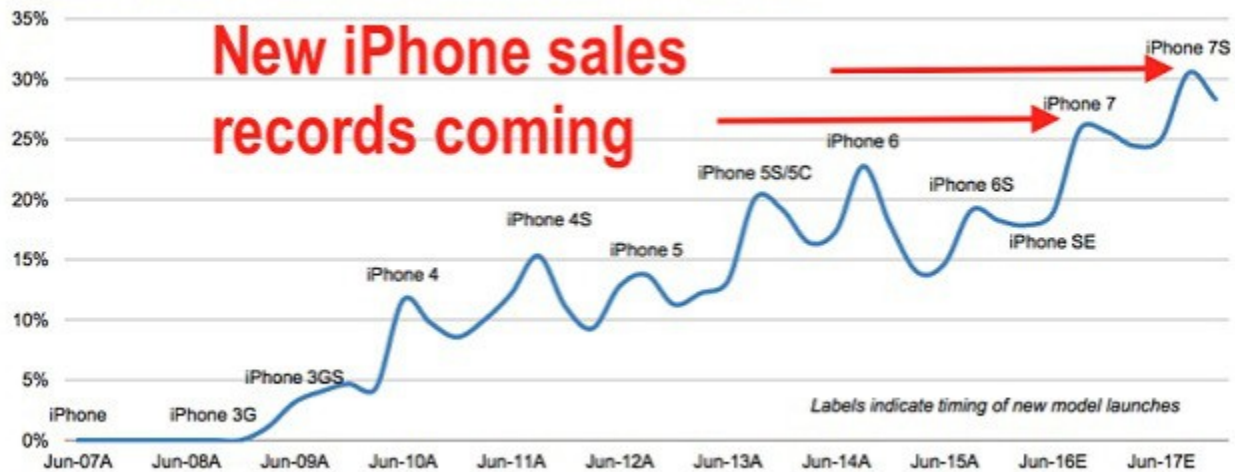# Necenové faktory ovlivňující primárně poptávku

(Keřkovský, 2016)

P

D_1

D_0

Q

Pokles ceny komplementů

P

D_0

D_1

Q

Pokles cen substitutů

P

D_1

D_0

Q

Zvýšení důchodů, normální zboží

P

D_0

D_1

Q

Zvýšení důchodů, podřadné zboží

P

D_1

D_0

Q

Zvýšení počtu obyvatel

P

D_1

D_0

Q

Očekávání vzestupu cen

P

D_0

D_1

Q

Očekávání poklesu příjmů

P

D_1

D_0

Q

Móda působící ve prospěch zboží

iPhone demand forecasting

zdroj: http://www.asymco.com/2011/03/28/predicting-iphone-sales-for-dummies/

iPhones 2 Years and Older (% of Installed Base, New Sales Only)

Source: Company reports, BMO Capital Markets estimates.