

Module 1.1 Enquiry 2: Will it sell?

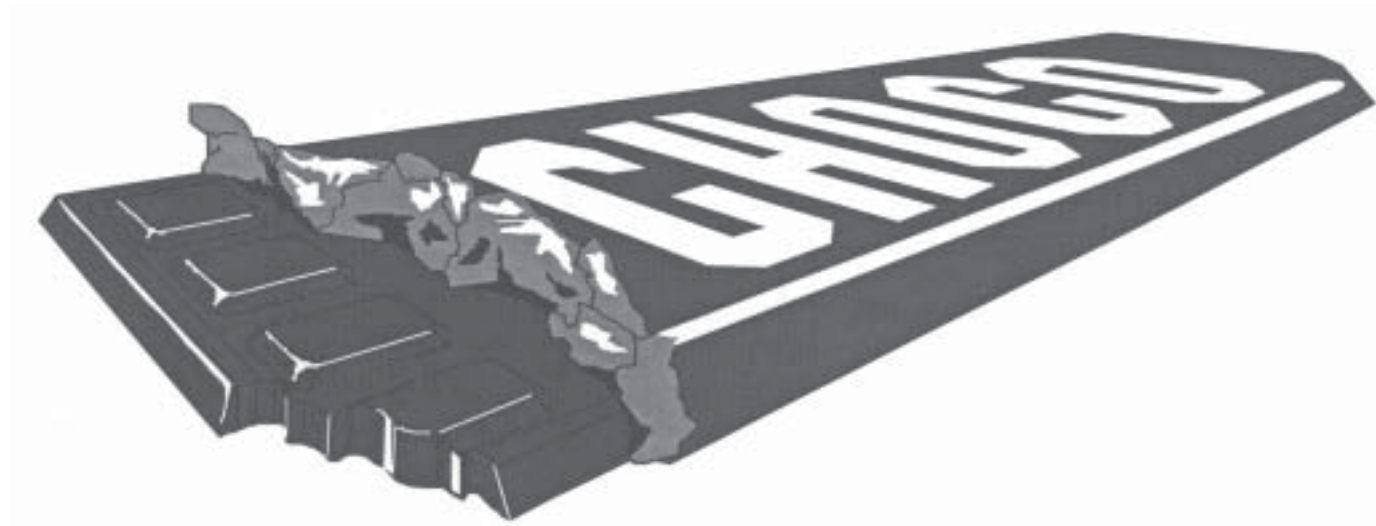
Learning outcomes	
1	Understanding of the relationship between price and quantity.
2	Appreciate the effect that demand can have on decisions made by a business.

Resources	Student sheets and generic spreadsheet package (optional).
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Time:	1 hour
Running the activity	The initial work can be carried out in groups or individually. The outcomes are then compared in order to develop the ideas of market demand and effective demand.

Module 1.1 Enquiry 2: Will it sell?

A company has designed a new chocolate bar which is different from all the others. It combines the chunkiness of a Yorkie with the crunchiness of a Crunchie and the chewiness of a Snickers. It seemed to meet the needs of all the chocolate bar consumers they talked to. But will it sell?



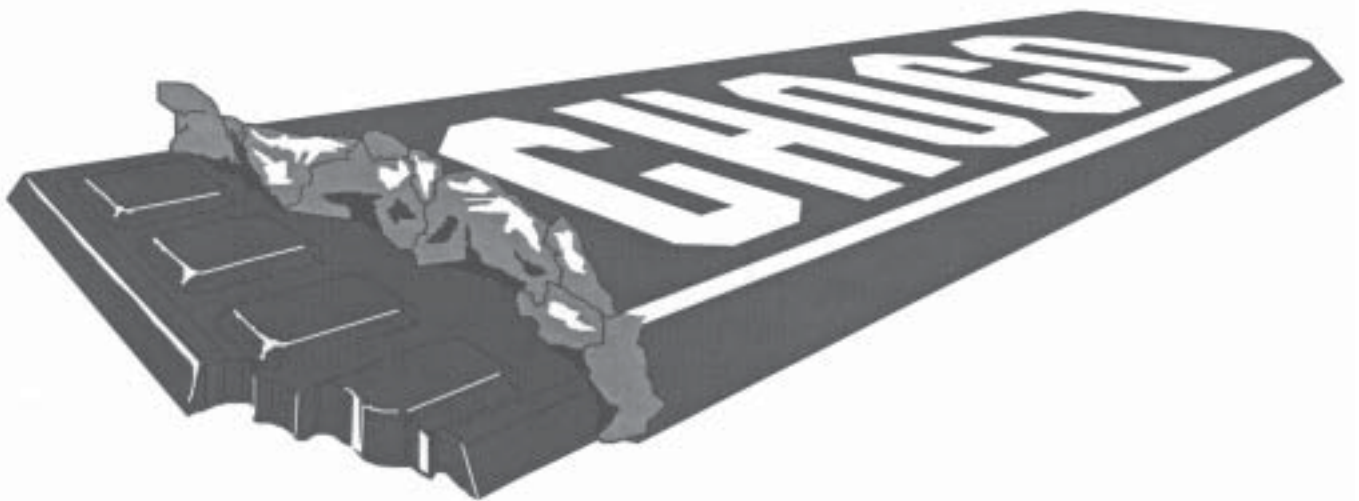
- List the reasons why you might buy a chocolate bar.
What might you buy? When are you likely to buy it? Where are you likely to buy it?
Rank the factors influencing your choice of chocolate bar in order from most to least important.
- Compare your ideas with a partner. What are the similarities and differences in your answers?
- What factors might influence the demand for chocolate bars:
 - a) for the whole of your group
 - b) for a group of working adults?
- How many bars would you buy at the different prices shown below? Find out how many bars would be bought by your group as a whole at each price.

Price of a bar	No. of bars you buy	Total bought by group
2 pence		
5 pence		
10 pence		
15 pence		
20 pence		
25 pence		
30 pence		
40 pence		
50 pence		

- Draw a graph to show the ‘effective demand’ for chocolate bars for your group. Use the ‘y-axis’ for price of bars in pence. Use the ‘x-axis’ for the quantity of bars bought by the group. Be careful to use appropriate scales.
- What guidance would this demand graph give to a firm which estimated costs of chocolate bars to be about 20 pence? What would a firm need to consider if it wanted to raise the price of a chocolate bar currently on sale for 30 pence?

Remember, the demand diagram shows just the relationship between price and quantity demanded at a particular time. Looking just at price, it treats all consumers in an identical way and makes no allowance for different tastes. You might look at the price of a particular product and think that you would never buy it; others might; you are just one part of what is usually a large market. A business is interested in MARKET DEMAND, not just one person’s buying habits.

In practice, the firm is going to be most interested in those people who actually buy the product; they make up the EFFECTIVE DEMAND for the product. One way of representing this effective demand is to consider how many chocolate bars would actually be bought at different prices.



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