



## CHANGING PRODUCT DEMAND IN MARKET IS RESULT OF DIVERSE FACTORS: A STUDY IN KABUL

**Dr. Adil Rasool**

Asst. Professor, Bakhtar University, Kabul

**Nisar Ahmad Azizi\***

Researcher, Bakhtar University, Kabul \*Corresponding Author

**Dr. Amir**

**Mohammad Noori**

Chancellor, Bakhtar University, Kabul

**ABSTRACT** The main purpose of this study is to discuss demand in the framework of the market. We first review classical demand and its dimensions. Then we identified various factors approaching and influencing the demand using market dynamics. So, unintentional demand of goods in the market is viewed as a function of different factors such as Income of customers, Price of goods and services, Price of substitutes, customers Taste and Population in the market. The result of study reveals that overall demand for a durable product depends on the group of mentioned dimensions in the market. Finally, we present a few recommendations that will improve understanding demand completely and help to improve as well as maintain product demand skills.

**KEYWORDS :** Demand, Product and Market.

### INTRODUCTION

Demand is a quantity of goods or services that people have the ability to buy at different prices. An important aspect in economy people demand goods and services to satisfy their wants (Aaker, 1989). People are in different levels according to level of income, someone has higher income demands more goods and services and some people have low income, demand less goods and services (Aaker and Keller, 1990). The consumption depends on level of income, people who have higher income demands more goods and services, those who have low income demand less amount of goods and service. It is proved that with level of income also demand of the people changes. In this research the influence of different factors will be identified that which factors influences on demands, whether these effects on demand of the people, if it has effect up to which percentage (Bettman et al., 2000). It is well known that there are factors which effects demand in macro level as well as in micro level. For example if the price changes definitely demand will be changed for the specific product or services, if prices goes up people will demand less amount of product or services or they will shift to substitute goods/services, if the prices decrease people will demand more amount of product or services, another example we can point out is income; it is also another important and effective factor which influence on demand and the changes of income certainly will result to change in demand for a products or services, we can say if income increases demand will be increased for products, if income decreases so demand also will be decreased for products and services (Blackwell et al., 1995). Another aspect is why people demands for goods and services, or why different factors are identified that influences demand. Proper explanation will be given to the topic and different formulas will be used for illustration purpose (Bolton, 1989).

### Demand

Demand means wish to have a product or services backed by enough money to pay for the good demanded. Thus, in economics we are alarmed only with demand, which is well backed up by an enough supply of purchasing power, i.e., with effective demand (Bouwman et al., 2011). Thus, if a person wants to buy a car, he should have sufficient money to buy that; then only demand becomes effectual. It should also be mentioned here that demand is not complete unless the consumer has willingness to buy a good or service. A person has the want and enough money but at a particular point of time, he may not have readiness to buy the good due to unexpected change in his taste or preference. For example, when a person goes to a display area to buy his dream car but declines to buy, just because he does not find his preferred color (Chang et al., 2005). Moreover, demand for a good is always articulated in relation to a particular price and a particular time. Thus, we may describe demand for a good as the amount of it, which will be purchased per unit of time at a given price.

### Determinants of the demand

Demand for a product depends upon different factors. The most imperative of these are the price of the product, income of the consumer, tastes and fashion and the prices of related goods (Rao and Monroe, 1988).

Demand for the product or services depend upon the following factors:

**Price of the commodity:** Price of the goods is an important factor that determines demand for a product or services. When price of product/services get higher, consumers buy low amount of goods and when prices decrease, demand increases. Here, we presume other factors to be remaining stable (Gartner, 2006).

**Income of the consumer:** The demand for goods depends upon the earnings of the people. The superior the income, the greater will be the demand for good/services. More income means higher purchasing power. People can afford to buy more when their incomes go up. On the other hand, if income falls, demand for product/services also decreases (Haigh, 2007).

**Prices of related goods:** Substitute goods are two types of related goods and complements. Replacement goods can be interchangeably used. For example, tea and coffee are substitute goods of each other. If tea is dearer, one can use tea and vice versa. Complementary goods are demanded together as butter and bread or petrol and car (Kelman, 1961). When price of a substitute for a good decrease, the demand for that good decreases and when price of substitute increases, the demand for that good rises. In case of complementary goods, the change in the price of any of the two goods also affects the demand of the other product or services. For instance, if demand for two-wheelers decreases, the demand for petrol also decreases.

**Taste and preferences of the consumer:** These are important factors, which affects the demand for a product. If tastes and preferences are favorable, the demand for a good will be large. On the other hand, when any good goes out of fashion or people's tastes and preferences no longer remain favorable, the demand decreases.

### Purpose of the research

The purpose of the study is to give proper explanation for demand and its relationship with other factors such as supply, income and price. For example is if the demand is amount of goods and service a person has ability to buy at different price level, so what is the relationship of price or supply on it? Is it necessary to know about? Definitely! That's why it is crucial in micro and macro economy to have proper knowledge of demand from different perspective, as well as the main purpose is to define and highlight the factors which affect or influence demand, these factors are important and changes of these factors can lead change of demand.

### Significance of the research

Every government wants to have stable and developed economy, for this reason to have increasing growth it is vital to have knowledge of economic, especially supply and demand. There are unlimited wants but low level of resources, how to manage these scarce resources to satisfy unlimited wants, and here it is required to know what demand is actually. On the other there factors which effects demand in macro and

micro level to know or compulsory to knowledge of, so this research will be helpful for taking correct economical decision regarding every section, as well as it will give a picture for those who want to have proper knowledge of economics.

**Objectives:**

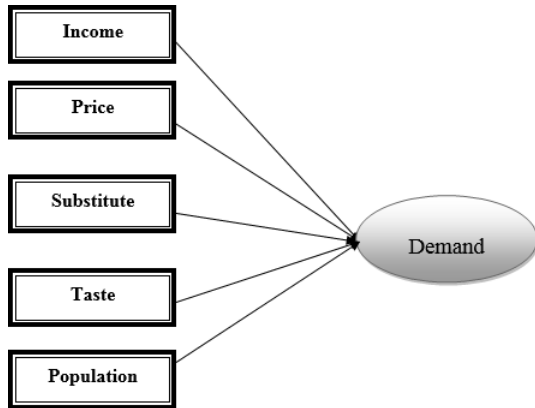
**Objective 1:** To know effect of different factors on overall demand for goods and services.

**Hypotheses:**

**H1:** Total demand does not depend on various determining factors.

**Conceptual framework**

The details of the conceptual framework taken up for the present work are shown in Figure-1, where the details like dimensions along demand of goods and services were shown in schematic representation. This was framed taking into considerations the nature of the topic and subsequent objectives taken up for the present work.



**Figure-1: Diagrammatic representation of Conceptual framework**

**Details of Research Design**

The blue print for implementing this research work is prepared considering the nature of the problem identified and succeeding objectives taken up for the work. Hence, a descriptive research design with a questionnaire for the primary data collection is employed in this work following the standard guidelines. The present study is to find out the effect of influence of different factors on demand of goods and

service in the market.

More specifically the unintentional demand of goods in the market is viewed as a function of different factors such as Income of customers, Price of goods and services, Price of substitutes, customers Taste and Population in the market. Hence, a descriptive research design was followed in the present work and survey was conducted among customers in the market for the purpose of collecting primary data constituting the present work. This work was carried out based on the primary data collected through the survey instrument. The survey instrument used for this work is a standardized well structured questionnaire. The questionnaires were employed to collect the primary data and relevant information from the customers. This survey instrument was designed and tested as a part of this work and proved reliable.

A pilot study was conducted to obtain the preliminary assessment of internal validity of the research survey instrument questionnaire. For this purpose primary data were collected from 20 customers. The results of the pilot study confirmed the internal reliability of the instrument deployed and hence, the same instrument was used in the identified sampling areas to collect the primary data needed for the present study. This study employed survey of customers to gather data with the help of validated survey instrument in the form of questionnaire for hypothesis testing, and to address research objectives 500 questionnaires were distributed among them. General customers constitute the sampling population for the present work. For the purpose of analyses of the data collected the respondents who did not respond to all questions or for whom there was a suspicion of random response such as use of the identical answer throughout is excluded. A total of 300 respondents met these inclusion criteria and thus, constitute a sample size for the present study.

**Service Quality dependency on Customer satisfaction.**

From the results of table-1, it can be inferred that the F value of 23.201 is found to be significant at 5 percent level and hence, the hypothesis-1 is rejected. These results suggest that overall demand for a durable product depends on the group of dimensions in the market. Further, the adjusted R square value of 0.582 from the table-1 indicates that 58 percent of overall demand among customers in market significantly depends on these groups of factors. Also the 't' values of 2.549, 4.418, -0.258, 1.289 and 4.284 corresponding to factors such as Income of customer, Price of product, Price of substitute, taste of customer and Population are found to be having significant effects on the model conceived

**Table-1:Result of regression for hypothesis-1**

Model	Sum of Squares	df	Mean Square	F	Sig.	F value
1 Regression	56.693	5	11.339	9.766	0.000b	23.201
Residual	51.087	44	1.161			
Total	107.780	49				

**Coefficientsa\***

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Adjusted R Square
	B	Std. Error	Beta			
1 (Constant)	1.018	4.071		0.250	0.004	0.582
Income	0.543	0.213	0.296	2.549	0.014	
Price of Good	-0.027	0.104	-0.030	-0.258	-0.007	
Price of Substitute Products	0.215	0.167	0.141	4.418	0.004	
Taste	0.636	0.144	0.466	1.289	0.000	
Population	0.931	0.217	0.464	4.284	0.000	

Source: Primary Data

More specifically, factor price of substitute goods in the market is found to be having significant superior effect on total demand with highest 't' value of 4.418. This confirms that Increase in price of substitute goods results increase in demand for the product. Similarly, population causes significantly good effect on demand for goods and services in market with the next higher t value of 4.284. This clearly confirms that increment in population increases people demand for the product or services and they feel that constant population rate leads to no changes in demand for product or services.

The 't' value of 2.549 obtained for the variable income of customer significantly causes considerable effect on the overall demand for goods and services in market. This confirms that decrease or increase of income effects on customer demand for particular products/services and demand will be the same if income of the customer decreases. The

't' value of 1.289 obtained for the customer taste significantly causes considerable effect on the customer demand for the goods and services in the market. This reveals that Increase in people taste lead to increase in demand and decrease in taste has no change in demand for product or services.

The 't' value of 0.258 obtained for the factor price of goods significantly causes considerable effect on the demand of the product. The negative 't' value obtained indicates the existence of inverse relationship between price of substitute product and overall demand of actual goods and services. Specifically, higher the price of goods and services, lesser is overall demand for the product. This confirms that if the price of product or services increases people will demand less amount goods or services and If price decrease demand for product or services will increase and it's confirmed through the negative 't' value

obtained for the price of goods and services.

## CONCLUSION

Although the consumer durables sector does not count among the core sectors of the economy, it is immensely significant being a near precise indicator of the nation's economic well-being, especially as a pointer to the distribution of prosperity among different income segments. The potential of durable market is indeed quite enormous. The Afghan consumers were indifferent in choosing the brand since a lot of close substitutes were available in the market. However, they have changed ever since liberalized its economy. To make the study simple and informative, the current research work is used to represent the consumer durable markets and different factors influencing its demand. From the detailed data analysis it has been observed that overall demand for a durable product depends on the group of dimensions in the market. Through the study it is strongly believed that marketing managers could gather information on consumer psychology as they are interested not only in the product but also the behavior of the consumers because it gives them the right orientations for product development and positioning. The level of consumer's satisfaction provides the scope for repeated purchases and brand loyalty that lead to optimum profitability.

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