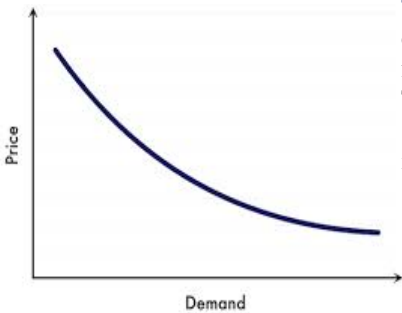


Unit 1 assignment 3: The impact of the economic environment on businesses

Describe the term demand



The term demand is a customer's need to pay a price for a certain good or service. The price of goods and services tend to increase as its demand increases.

▪ **Affordability=**

Demand for Apple's products are affected by affordability, as it's the main influence in the balance of demand due to the fact that prices are always changing. Furthermore, Apple's prices will fall in India due to higher inflation as products will be more expensive and Apple's products normally cost way more compared to what other companies in the same market offer, this will mean customers will go to cheaper companies like Samsung, as GDP is high in the UK more people can afford Apple's products.

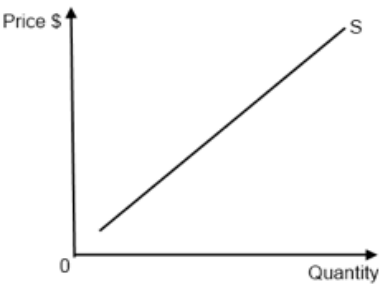
▪ **Competition and availability of substitutes =**

Competition and availability of substitutes affect the demand of a certain Apple product as competitors offer the same products for less and if the substitute is less expensive like Samsung products which are in the same market as Apple which means more people will demand for Samsung as it offers similar products for less.

▪ **Need and aspirations of the consumers**

Need and aspirations of the consumer affects Apple as it uses marketing strategy such as celebrity endorsements to drive sales. In these newer days, celebs are role models to a lot of individuals and often they tend to want to be like them so if they see them using an iPhone then an individual would be encouraged to buy an iPhone which will rise its demand.

➤ Describe the term supply



The term supply is the level of goods and services that suppliers are willing to provide at different prices. Moreover, a supply curve is

Availability of raw materials and labour=

Availability of raw materials and labour affects Apple as the company sources materials in India with lower labour and production costs, which helps cut operating costs. Furthermore, the high unemployment rates in the UK means Apple can employ more employees while the low unemployment figures in India mean less people to employ plus with India currently in a boom on the economic cycle it will be challenging for Apple to get raw materials.

• **Logistics and ability to produce profitably=**

Logistics and ability to produce profitably affects Apple as it controls where goods are sold and manufactured. The UK has seen a decline in manufacturing and production, as it's cheaper to manufacture products abroad in countries like India, which gives them a profit after production costs. Furthermore, the ability to produce profitably affects Apple in both countries as they can manufacture products without losing money.

• **Government support=**

Government support affects Apple as they can lower taxes, increase labour and pay and give Apple a support so the supply would increase which means Apple would make profit. Furthermore, Apple would get more support from the government in the UK compared to India, as its government is not as developed as the UK.

➤ Describe how the changes in supply and demand effect

• **Elasticity of demand (describe the terms elastic and inelastic demand)**

A change in price may have an impact on demand, as sales tend to increase when there is a price cut and there is an increase in demand more over if the price increased demand would fall, this is referred to as 'elastic'. A change in prices doesn't always affect demand for example if there was a price increase in an essential product like petrol then demand wouldn't be affected as it's vital for them to travel which means they will have no choice but to buy, this is referred to as inelastic.

• **Price sensitivity (elastic demand)**

The impact of change in prices affects demand of products and services affects demand as Apple uses this to conclude the price of their products have substitutes such as iPhones have Samsung.

• **Influence of branding on price sensitivity (inelastic demand)**

Branding gives products an inelastic demand as a strong brand like Apple ensures customers' sensitivity as they recognise the high quality Apple delivers. For example, if Apple increased the price of their products it wouldn't affect the demand, as people know its worth it while as if a Nokia increased the price of their products it would change the demand because their brand is not as great as it used to be.