<u>"Demand" - Interpretations and Connotations in Business</u>

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The word "demand" is a simple word as described in an English dictionary. According to the Oxford English Mini dictionary (Sixth Edition), the word "demand" has been defined as "consumer's desire for a particular product or a service." But this is not the case how this word is defined in the field of business studies.

In studies related to business, the word "demand" means "desire." Desire is something that is grown in the mind. This indicates that demand is to a huge extent connected to the psychology of the person who has developed the demand. Everybody may not have the same demand. What is more interesting is that under different circumstances the same individual may have demands which are diagonally opposite by nature. This highlights the strong connection of demand with psychology. But apart from psychology there is one more discipline of study with which it is deeply connected. That discipline of study is economics. In economics the word "demand' is defined as the desire to own (partially/ fully, temporarily/ permanently) a commodity. But this desire must also be backed by adequate purchasing power. For example Mr. A has a demand for a Mercedes Benz but that is not backed by adequate purchasing power. On the other hand, Mr. B has a demand for the same commodity and that is backed by adequate purchasing power. In such a case Mr. A's demand will not have any impact in economics but Mr. B's demand can surely be considered. This is the case because economics is to a huge extent concerned with the GDP of the nation. It is not possible to take into account the demands which are not backed by purchasing power while computation of GDP. If it is done it will be seen that the GDP is projecting a wrong economical position of the nation. In fact, under such a circumstance it will be seen that the GDP is considered with imaginative components rather than real life components that actually affects the financial health of a nation. Thus, for the sake of computing the GDP and other necessary economical indexes, demand that is backed by purchasing power is only considered.

In simple terms it can be stated that ceteris paribus (all other things remaining constant), demand rises when the price of the commodity falls and demand falls when the price of the commodity rises. It is a clear indication of the fact that there is an inverse relation between demand and price of the commodity. However, that may not always be true. In certain cases it is seen that there is absolutely no connection between demand and price. For example, in case of cancer drugs there is no connection between demand and the price of it. When a patient is affected by cancer, the necessary cancer drugs have to be purchased for him irrespective of the prices of it. Whether there is a hike or a slump in the prices of such commodities, there is no connection between the demand and the prices. Thus, there can be situations when there is no relationship between demand and price of the commodity. Again, there are examples when there is a direct relation between demand and price of the commodity. In other words, it can be said that in case of such commodities demand rises even when there is a hike in the prices or demand falls when there is a reduction in the prices. Examples of such commodities are perfumes, paintings of famous painters, luxury apartments etc. These are commodities which are usually purchased by the elite class. It is a class which has the tendency to separate themselves from the other sections of the society by their spending habits. This class spends money thereby trying to prove that they have the ability to spend that amount and that is why they belong to that elite class. Thus, it can be concluded that generally it is believed that ceteris paribus, demand has an inverse relation with price. However, there can be cases when there is no connection between these two variables and there is a direct relation between them.

Classical economists like David Ricardo and Alfred Marshall also believed that apart from price, demand has a major relation with supply. Ceteris paribus, demand for a commodity increases when supply falls and demand decreases when supply increases. Thus, it seems that there is an inverse relation between demand and supply. But this does not happen necessarily in reality. There are commodities for which demand does not get influenced by the supply of it. For example demand for medicines do not increase or decrease with the changes in the volume of supply. However, if there is an epidemic, then the demand for the medicine that helps to fight the disease that has caused the epidemic may fluctuate with supply. Then there are commodities demand for which is expected to rise with the increase in the supply. Tendency of getting admitted in a top college, institute or university increases when supply rises (i.e. the number of seats increases). Similarly, in today’s world it is seen that in case of electronics goods demand for it decreases when supply decreases. This is because when the supply of electronics goods decreases, it is decreased by the supplier with the objective of replacing it with better and more advanced quality products. Thus, the belief of the classical economists that demand has an inverse relation with supply may not necessarily be true. In a lot of cases demand for a particular commodity also may have a direct relationship with the volume of the supply of it.

What has been stated here so far talks about the relation of demand with price and supply. But apart from these two constraints demand is also deeply connected to tastes and preferences of the consumer. For example demand for non-vegetarian food will never be there among vegetarians. This is a matter of habit which has been influenced by taste and preference. However, the reverse may not necessarily be true. Non vegetarians may have a demand for vegetarian food. Again, this is a matter of taste and preference. What is being tried here is to establish the fact that demand for a particular commodity is to a great extent dependent on the psychology of the consumer. The discipline of study that deals with the study of influence of psychology on demand is called consumer behavior. This discipline is usually taught in B – schools. It is a branch of marketing management. Students who opt for specialization in marketing management generally get an

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opportunity to study this discipline. As the name suggests, consumer behavior studies the behavior of the consumers i.e. the buying behavior of the consumers. This discipline of study tells us that the buying behavior of consumers i.e. the buying decisions of consumers is dependent on the psyche. Psyche of a person (in this case a consumer) depends on a number of factors like age, religion, gender, location, physical condition etc.

Demand for a commodity is dependent on the age of the consumer. For example, multiplexes are mostly filled up by the young generation whose age hovers from fifteen to forty. This is the trend in most parts of the world. Generally, the senior citizens do not have any fascination for watching movies in the multiplexes. This is how age of the consumers influences their buying behaviors.

Similarly demand for a commodity is deeply influenced by the religion of the consumer. Despite having a very high density of population, lack of development of the insurance and banking industries in Islamic nations like Pakistan has been observed for decades. It is largely because insurance and banking are two businesses that have been prohibited in Islam.

Traditionally demand for cosmetics was always higher among women compared to men. This is an example of gender influencing demand.

Demand for drinking water was always higher in deserted areas of Rajasthan, India compared to areas where drinking water is easily available. This is an example of demand getting influenced by location.

A person may have the best sales skills but still he will be unable to sale a football to a customer whose lower limbs have been amputated. This is an example of demand getting influenced by physical conditions of the customer.

Depending on seasonality, demand can be classified as seasonal demand, unseasonal demand and perennial demand. Strawberry and cream that is traditionally eaten in Wimbledon is an example of seasonal demand. A hike in demand for aerated drinks during summer is observed all over the world and this is another example of a seasonal demand. Hilsa fish is one of the delicacies of West Bengal, India. This fish is eaten mostly during monsoon. However, during the months of December and January which are celebrated here as seasons of marriages, there is a sudden increase in the demand for hilsa fish. This is because it is a traditional Bengali custom to treat guests with this delicacy. This is a great example of an unseasonal demand. Demand for medicines is observed throughout the year and this can be called an example of perennial demand.

On the basis of the source of origin, demand may be classified into natural demand and artificial demand. There is a demand for stocks of profit earning organizations. This is a natural demand. Again it can be explained in another way. Suppose there are ten customers in a market. Each of these ten customers have a demand for 2 units of a commodity called A. In this case, the total demand of the market will be 20 units of A. This is natural demand. Now by hoarding if the supply of commodity A is reduced in the market then demand for it may rise from 20 units to 25 units. This is an example of artificial demand. It is believed by many economists that during the "Great Famine of Bengal" in 1943, 1 kilogram of rice was being sold at Rs. 25/ 30 in that period. It was an artificial demand of rice that was created by the British government by hoarding and non-allowance of entry of rice sacks in the markets. This artificial demand went ahead to create one of the greatest manmade disasters in human history in which approximately ten lakhs of people were affected and an additional two lakh people succumbed to death due to non-availability of food crops in the markets.

Many a times in life we use words during conversation or during writing by following the meaning written in the dictionary. Sometimes not even that. We just prefer to go with the meanings that have been established by norms. In such cases, we neglect the meanings and connotations that exist but are not visible that easily. In this article, effort has been made to highlight such existent but mostly invisible interpretations and connotations of the word "demand". It is one of those rare words in the English dictionary that can have a lot more interpretations and connotations that are mentioned in the dictionary. This is the beauty, the uniqueness of this word "demand".

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