Types of Demand

Price Demand

It is the demand for different quantities of a product or service that consumers intend to purchase at a given price and time period assuming other factors, such as prices of the related goods, level of income of consumers and preferences remain unchanged.

Price demand is inversely proportional to the price of a product or service. As the price of a product or service rises, its demand falls and vice versa. Therefore, price demand indicates the functional relationship between the price of a product or service and quantity demanded.

Income Demand

It is a demand for different quantities of a commodity or service that consumers intend to purchase at different levels of income assuming other factors remain the same.

Generally, the demand for a commodity or service increases with an increase in the level of income of individuals except for inferior goods. Therefore, demand and income are directly proportional to normal goods whereas the demand and income are inversely proportional to inferior goods.

Cross Demand

It refers to the demand for different quantities of a commodity or service whose demand depends not only on its own price but also the price of other related goods and services.

For example, tea and coffee are considered to be the substitutes of each other. Thus, when the price tea increases, people switch to coffee. Consequently, the demand for coffee increases. Thus, it can be said that tea and coffee have cross demand.

Individual Demand and Market Demand

This is the classification of demand based on the number of consumers in the market. Individual demand, refers to the quantity of a commodity or service demanded by an individual consumer at a given price at a given time period.

For example, the quantity of sugar that an individual or household purchases in a month is their individual or household demand. The individual demand of a product is influenced by the price of a product, income of customers and their tastes and preferences.

On the other hand, Market demand is the aggregate of individual demands of all the consumers of a product over a period of time at a specific price while other factors are constant.

For example, there are four consumers of sugar. These four consumers consume 30 kgs,40 kgs,50 kgs and 60 kgs of sugar respectively in a month. Thus, the market demand for sugar is 180 kgs in a month.

Joint Demand

It is the quantity demanded for two or more commodities or services that are used jointly and are thus demanded together.

For example, car and petrol, bread and butter, pen and refill etc, are commodities that are used jointly and are demanded together. The demand for such commodities changes proportionately. For example, a rise in the demand for cars results in the proportionate rise in the demand for petrol. In the above example, an increase in the price of cars will cause a fall in the demand of not only cars but also of petrol.

Composite Demand

It is the demand for commodities or services that have multiple uses. For example, the demand for steel is a result of its uses for various purposes like making utensils, pipes, cans etc. In the case of a commodity or service having composite demand, a change in the price results in a large change in the demand.

This is because the demand for the commodity or service would change across its various usages.

In the above example, if the price of steel increases, the price of other products made of steel also increases. In such a case, people may restrict their consumption of products made of steel.

Direct and Derived Demand

Direct demand is the demand for commodities or services meant for final consumption. This demand arises out of the natural desire of an individual to consume a particular product. For example, the demand for food, shelter, clothes and vehicles is direct demand as it arises out of the biological, physical and other personal needs of consumers.

Derived demand refers to the demand for a product that arises due to the demand for other products. It is applicable to goods such as raw materials, intermediate goods, machines and equipment. Apart from this, the factors of production land, labour and capital also have derived demand. For example, the demand for labour in the construction of buildings is a derived demand.