

## Supply and Demand

In the business world, it's common to hear and see references to supply and demand. With that said, few individuals possess a thorough understanding of the idea and its wide-ranging impact on markets, prices, and consumers. In short, **supply and demand** refers to the force of consumers (or how much customers want or need to buy something) in relation to the available supply (or how much of something companies are able to sell). Generally speaking, **high demand** results in **limited supply and increased prices**, and **low demand** results in an **ample supply and decreased prices**.

This latter phenomenon - the correlation between supply and demand and prices - might sound confusing at first, but it's actually rather simple. When there isn't enough of something available for sale to satisfy demand (or so that everyone who wants this "something" can simply purchase it), manufacturers, or businesses that produce a product or products, charge more; they are able to do so because they aren't faced with competition (as whatever they're selling is in demand and presumably not offered by many other businesses), and customers are willing to pay more to secure said product. Inversely, if something is available in abundance, companies will have to contend with competition, or actions taken by a company that're designed to improve its market standing, sales, and ultimately, profits.

An example will make the concept of supply and demand entirely clear. Imagine that a company creates a fantastic video game system that many customers want to buy. Demand will build both naturally and as the product isn't available to buy (this marketing technique is utilized by many companies today; not being able to purchase something seems to create consumer buzz), and if the supply doesn't increase to give every willing customer a system, prices will rise. In other words, if customers have no other way to buy the system than through its manufacturer, and are having a hard time finding the system to buy, they'll be willing to pay more to buy it.

On the other side of the coin, a product that's not proprietary, is widely accessible, and can be sold by any company - pasta, for instance - will be manufactured, marketed, and sold by a number of businesses. One company might sell a box of pasta for \$10, and another company could respond to this price by selling their own pasta for six dollars, and another company could sell their pasta for four dollars, and so on and so forth until the price has been driven down to a very affordable rate. Demand won't be particularly high in this scenario, as there will

be plenty of the product at-hand to go around. Moreover, demand comes before competition; if demand is relatively low because a supply is high, prices will fall and some degree of competition will occur.

**Answer the following questions:**

- 1- What is supply and demand?
- 2- What prices do high and low demands create, generally speaking?
- 3- If a company produced a small quantity of an in-demand product, what would happen to prices?
- 4- What is commonly associated with low demand and low prices?
- 5- What does "inversely" mean in the context of the text?
- 6- In the context of the passage, what is meant by "competition"?
- 7- The phrase "consumer buzz" most likely refers to:
  - A) The sound customers make when they buy a product.
  - B) The excitement and interest generated among consumers about a product.
  - C) The noise in a retail environment.
  - D) The dissatisfaction of customers with a product.
- 8- Identify the correct form of the verb to fill in the blank:
  - "When demand is high, companies \_\_\_\_ to increase their prices."
  - A) is able
  - B) are able
  - C) was able
  - D) have been able
- 9- Which of the following sentences uses the passive voice?
  - A) Manufacturers charge more when supply is limited.
  - B) Companies will have to contend with competition.
  - C) Prices are driven down by competition.
  - D) Customers are willing to pay more.
- 10- Choose the correct conjunction to complete the sentence:
  - "Consumers are willing to pay more for a product, \_\_\_\_ the supply is limited."
  - A) although
  - B) because
  - C) unless
  - D) while
- 11- Which sentence uses the comparative form correctly?
  - A) This product is more popular than that one.
  - B) This product is popular than that one.
  - C) This product is most popular than that one.
  - D) This product is the more popular of the two.
- 12- Identify the correct use of the adjective:
  - "A product that is widely accessible is \_\_\_\_ to sell at a lower price."
  - A) likely
  - B) likelier
  - C) likeliest
  - D) like