Federal State Budgetary Educational Institution of Higher Education "Volgograd State Medical University" of the Ministry of Health of the Russian Federation

Department of Management and Economics of Pharmacy, Medical and Pharmaceutical Merchandising

Types of demand. Positioning of products in the pharmaceutical market. Marketing research in pharmacy.

Lecture 3.
Discipline : pharmaceutical marketing
4th year, 7th semester

Demand as the main element of marketing

Demand is a request from an actual or potential buyer, consumer, to purchase a product using the funds available to him that are intended for this purchase. Demand reflects, on the one hand, the buyer's need for certain goods or services , the desire to purchase these goods or services in a certain quantity and, on the other hand, the ability to pay for the purchase at a price that is within the “affordable” range.

Demand can be defined as the desire and ability of a consumer to buy a product or service at a certain time and in a certain place.

8 types of demand in marketing

1. *Negative*
2. *Absent*
3. *Hidden*
4. *Falling*
5. *Irregular*
6. *Full*
7. *Excessive*
8. *Irrational*

1. Negative

The vast majority of buyers avoid a certain product. People prefer to incur small losses rather than acquire it.

Employers exhibit this reaction to hiring antisocial workers. image of life.

Marketing analyzes why people do not accept the product and whether marketing can improve the situation through redesign, lower prices, and aggressive advertising.

2. Absent

Consumers may not be interested in the product and express complete indifference.

Students may not be interested in the content of certain subjects.

Marketing looks for ways to connect the benefits of a product and the needs of people.

3. Hidden

Potential buyers tend to have desires that cannot be satisfied by existing products.

There is potential demand for non-hazardous areas and economical vehicles.

Marketers assess how much demand there is and create an offer to satisfy it.

4. Falling

Marketers are faced with a sharp decline in demand. The market subject undertakes to analyze the causes of the phenomenon.

The possibility of sales promotion is identified.

Marketing reverses the processes of falling demand.

Marketers are creatively rethinking how they present their offer.

5. Irregular

Often, sales experience seasonal, daily and hourly fluctuations. This causes underload or overload.

Marketing – seeks effective methods for smoothing out differences.

6. Full-fledged

Characterized by good turnover

Marketing activities support demand in the face of changing consumer tastes and increasing competition.

7. Excessive

Demand exceeds maximum supply. With the help of demarketing, ways to reduce demand are sought.

General measures: increase in cost, decrease in incentives, reduction in service.

Selective demarketing: reducing demand in less profitable market sectors (or requiring less service). The goal is to effectively reduce demand.

8. *Irrational*

Propaganda is being conducted against the use of harmful products.

Information is being disseminated to convince people to give up harmful habits.

Also, buyers are forced to limit themselves by “inflating” prices and limiting access to goods.

TYPES OF DEMAND

Individual

Market

Cumulative (aggregative)

According to the certainty of purchasing intentions in terms of the degree of specificity of the product, the demand for which is being considered, demand is distinguished:

selective (firmly formulated, selective), aimed at a specific type or brand of product. The buyer does not want to change his settings and refuses alternative offers. In fact, we are talking about loyal consumers;

alternative, allowing a certain choice. This group of buyers is receptive to advertising and amenable to the persuasion of the seller;

impulsive (spontaneous), arising at the moment of becoming acquainted with a product in a store, although the buyer had not previously planned such a purchase.

Classifying demand by purchasing intentions opens up wide possibilities for the seller's directed influence on the buyer, both by advertising methods and by methods of direct influence.

A certain part of buyers (according to some estimates, about a quarter) **succumbs to psychological pressure and actively reacts to store displays of goods.**

This implies the need for **optimal placement of goods in the store, ensuring the availability of goods for inspection and testing, originality and colorfulness of the exposition, and its informative content** (merchandising).

Types of demand according to the product life cycle model

potential that arises at the stage of development and preparation of new products for market entry. Determined by the number of potential consumers and their purchasing power ;

emerging, which develops **at the stage of introduction, bringing a product to the market and is aimed at new products** that are not yet produced in mass quantities;

developing, taking shape at the **growth stage;**

formed, or established , which corresponds to **the maturity phase;**

falling, corresponding **to the decline phase** .

Types of demand in relation to consumers' attitude towards the product

negative when the majority of potential buyers reject a given product or service. This can happen after negative information appears, for example about the dangers of a product;

missing, which occurs when consumers are disinterested or indifferent, or lack of need for a product;

hidden, reflecting a desire that cannot be satisfied by goods available on the market. Identifying latent demand is an urgent task for marketing. This is how market niches are identified and new products are created.

Types of demand according to the relationship between supply and demand

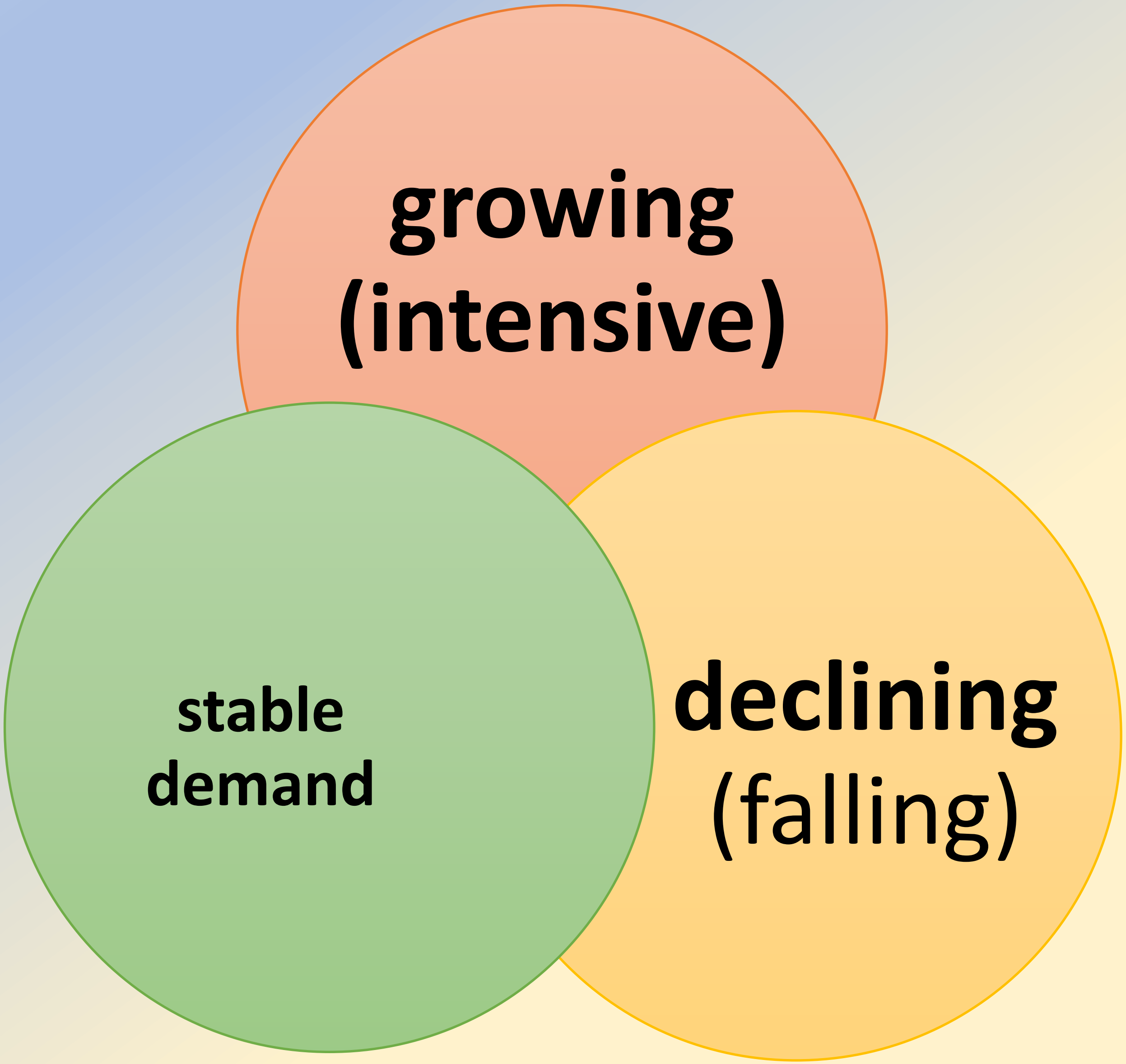
full-fledged when demand is balanced with supply. The company is satisfied with its trade turnover and is not interested in changes;

excessive when an enterprise or industry is unable to satisfy the demand for a product. In this case, demarketing (remarketing) is used to reduce demand.

Types of demand by changes over time

- **irregular,** fluctuating, having hourly, daily, seasonal fluctuations;
- **seasonal,** with a period of change equal to one year;
- **daily,** which is associated with changes in demand on certain days of the month, for example on the days of payment of wages;
- **recreational,** due to weekends and holidays;
- **hourly,** characterizing fluctuations and changes during the day.

Types of demand by trend



Types of demand based on the relationship between demand for various goods

derived _ demand) - demand for a specific product or service, which, as a rule, is located at the beginning of the production cycle chain and depends on the demand for some other product offered to end consumers . Derivative is the demand for raw materials and materials, depending on the demand for products that can be made from these raw materials and materials;

secondary (after-market demand) – demand arising for spare parts, components and other products due to increased consumption of technically complex products.

Types of demand according to the nature of the law of demand

prestigious – demand for a prestigious, expensive product, the possession of which raises the status of the owner and his self-esteem. These are clothes from famous couturiers, expensive models of mobile phones and cars;

abnormal – demand in the area of low prices, when a low price is associated with even lower quality.

Types of demand based on the relationship between price changes and demand

elastic - demand that tends to change when the price of a product or the income of the population changes (demand for cars, electrical household goods, etc.);

inelastic - demand that tends to remain unchanged regardless of changes in the income of the population and the price of goods (demand for goods that ensure human life - goods in the consumer basket);

unitary - demand in which a change in a market factor is accompanied by an adequate change in demand (i.e., the elasticity coefficient of such demand is equal to one).

Types of demand at the point of purchase

global;

regional;

urban;

rural;

basic (at place of residence);

mobile (outside the place of residence).

Types of demand by processing time

past (historical) is a demand realized or unsatisfied over the past period of time, its assessment is necessary to identify trends and patterns, as well as implement implementation plans;

current - demand at the moment, knowledge of the size of which allows you to quickly make adjustments to planned marketing activities, is an element of market conditions;

future - demand for the next period, it is necessary to predict its volume and structure, taking into account production and market capabilities.

Types of demand based on the relationship between the moment of need and purchase

deferred, when accumulation of money is required for the subsequent purchase of goods;

rush (panic) that occurs as a manifestation of “flight from money”, for example in a situation of inflation, or due to a shortage, when there is a fear that the product will disappear from sale.

Types of demand by socio-demographic groups of consumers

- demand of individuals (families);
- demand of sex and age groups of the population.

Law of Demand

Law of Demand

The law of demand is one of the most fundamental concepts in economics.

Together with the law of supply, it helps explain how a market economy allocates resources and determines prices for goods and services that we see in everyday life.

Law of Demand: Concept and Definition

Demand (D - demand) is the quantity of goods or services that consumers are willing and able to purchase at a certain price for a certain period of time in a specific place (in a specific market).

Quantity demanded (Qd) is the specific quantity of a good that buyers are willing and able to purchase at a given time at a given price .

Demand price (P - price) is the maximum price that a buyer is willing to pay for a unit of goods.

Along with these generalized **definitions, demand is characterized by a number of properties and quantitative parameters , of which the volume or magnitude of demand** should first be distinguished .

From the standpoint **of quantitative measurement , the demand for a product is understood as the volume of demand, which means the quantity of a given product that buyers (consumers) are willing, ready and have the financial ability to purchase over a certain period at certain prices.**

Quantity demand is the quantity of a good or service of a certain type and quality that a buyer is willing to buy at a given price over a certain period of time. The amount of demand depends on the income of buyers, prices for goods and services, prices for substitute goods and complementary goods, buyer expectations, their tastes and preferences.

operates in the market **- the higher the price, the less quantity of goods consumers agree to purchase, and vice versa.**

Mathematically, this means that **there is an inverse relationship between quantity demanded and price** (however, not necessarily in the form of a hyperbola, represented by the formula $y = a/x$).

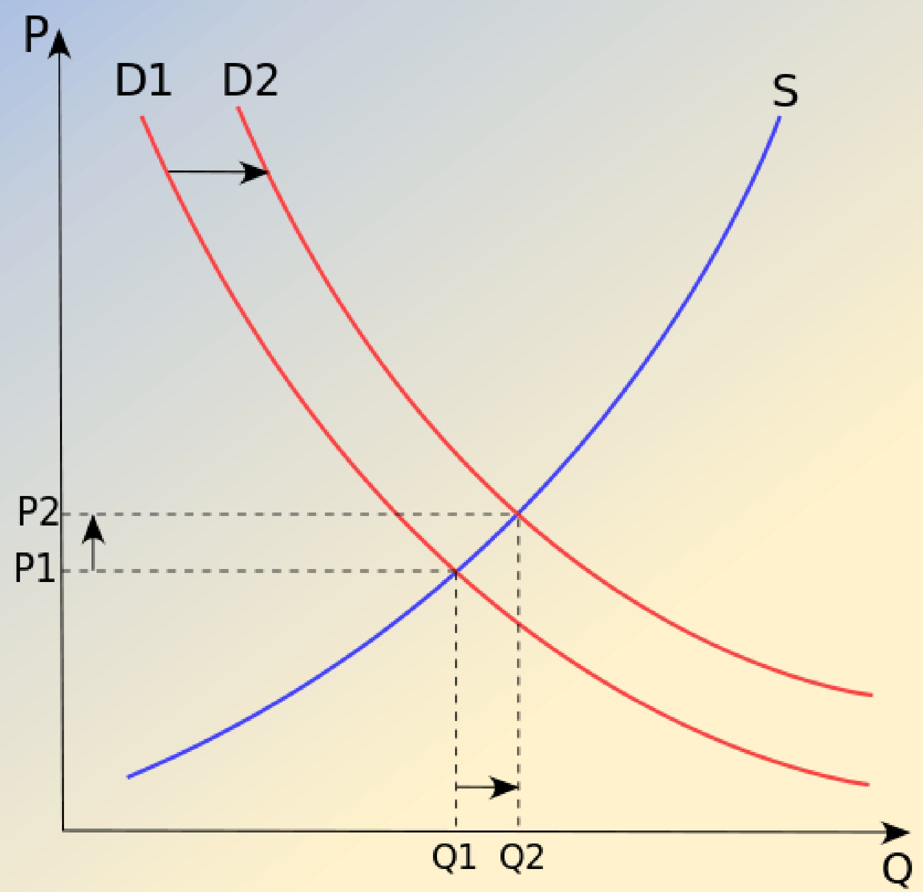
That is, **an increase in price causes a decrease in the quantity demanded, while a decrease in price causes an increase in the quantity demanded.**

The nature of the law of demand is not complicated. **If the buyer has a certain amount of money to purchase a given product, then he will be able to buy less of the product, the higher the price and vice versa.**

The real picture is much more complicated, since the buyer can raise additional funds and buy another product instead of this product - a substitute product.

Law of demand (law of demand) states that **the quantity demanded, other things being equal, increases as the price decreases and, conversely, decreases as the price of the product increases,** that is, there is an inverse relationship between the quantity demanded and the price .

Graphically, in the coordinates price - quantity of goods (the price is plotted vertically), the demand curve has a negative slope.



The Law of Demand was documented in **1892 by economist Alfred Marshall.**

Subsequently, as a result of numerous economic observations, other economists came to **recognize the validity of this law in most situations and in relation to most goods. The only exceptions are Giffen goods and Veblen goods .**

Justification of the law of demand

The justification is the following arguments:

1. Empirical observations . A high price acts as a barrier for buyers, as a result they either refuse to purchase this product or buy it in smaller quantities. When the price decreases, the opposite occurs. A striking example of the law of demand is pre-holiday discounts offered by retail and online stores (Black Friday, Christmas and New Year's discounts, etc.). Thus, according to some traders, during this period their turnover increases by 5-10 times compared to average daily sales volumes.

Justification of the law of demand

The justification is the following arguments:

2. Law of diminishing marginal utility . The essence of this law is that the consumer receives less utility from each subsequent unit of a good, so consumers purchase additional units of a good only if its price decreases.

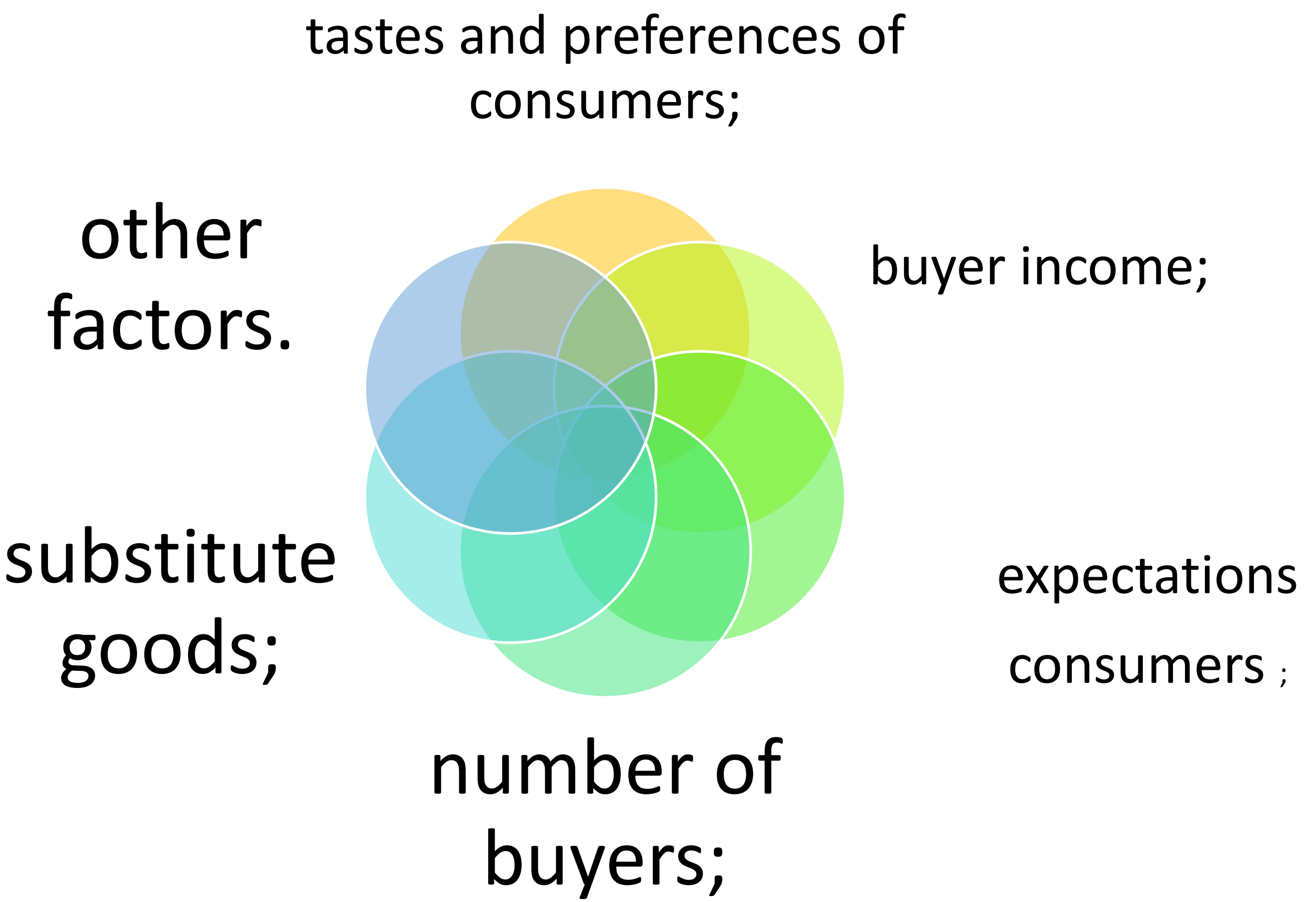
Justification of the law of demand

The justification is the following arguments:

3. Income effect . The essence of the income effect is that at a lower price, a consumer can buy more of a given product without denying himself the purchase of any alternative goods (with a stable level of income). Therefore, it turns out that when the price of a product decreases, the purchasing power of the consumer increases and he can buy more of this product than before. When the price increases, the opposite effect is observed.

4. Substitution effect . At a stable level of income, a lower price encourages consumers to replace expensive goods with similar goods that have become relatively cheaper.

The law of demand is a theoretical law that reflects the dependence of the demand for a product only on its price. Therefore, its definition states “other things being equal”, i.e. the assumption is made that the quantity of demand is not influenced by:



Elasticity: concept, essence, forms and types

Elasticity is a measure of the sensitivity of one variable (for example, supply or demand) to changes in another (for example, price, income), showing by **what percentage the first indicator will change when the second changes by 1%.**

The ability of one economic variable to respond to changes in another can be illustrated by **different methods based on the chosen units of measurement. In order to unify the choice of units of measurement, the percentage measurement method is used.**

Demand elasticity coefficient

A quantitative measure of elasticity can be expressed by **the coefficient elasticity _**

The elasticity coefficient shows the degree of quantitative change in one factor (for example, the volume of demand or supply) when another (price, income or costs) changes by 1%.

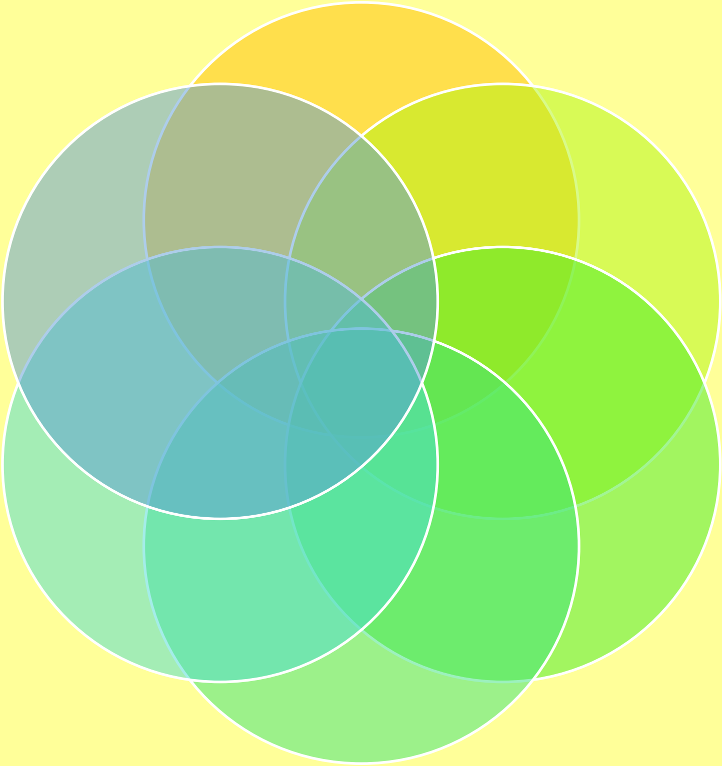
The elasticity coefficient can take values from zero to infinity.

Forms of elasticity

- Depending on the absolute value of the elasticity coefficient, the following 5 main forms of elasticity (forms of demand according to the degree of elasticity) are distinguished:

Perfectly inelastic demand

Perfectly elastic demand



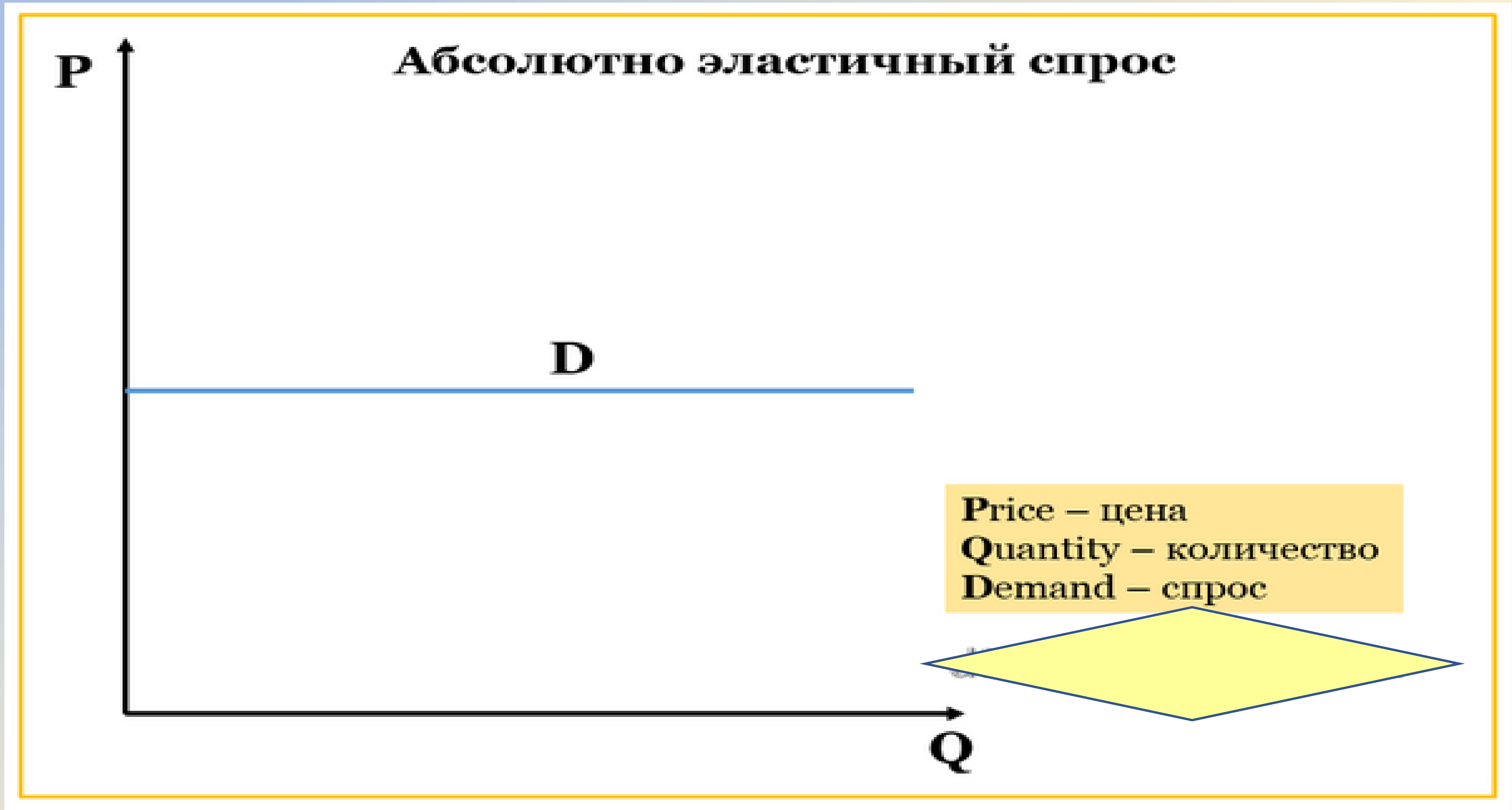
Inelastic demand

Elastic demand

Demand with unit elasticity

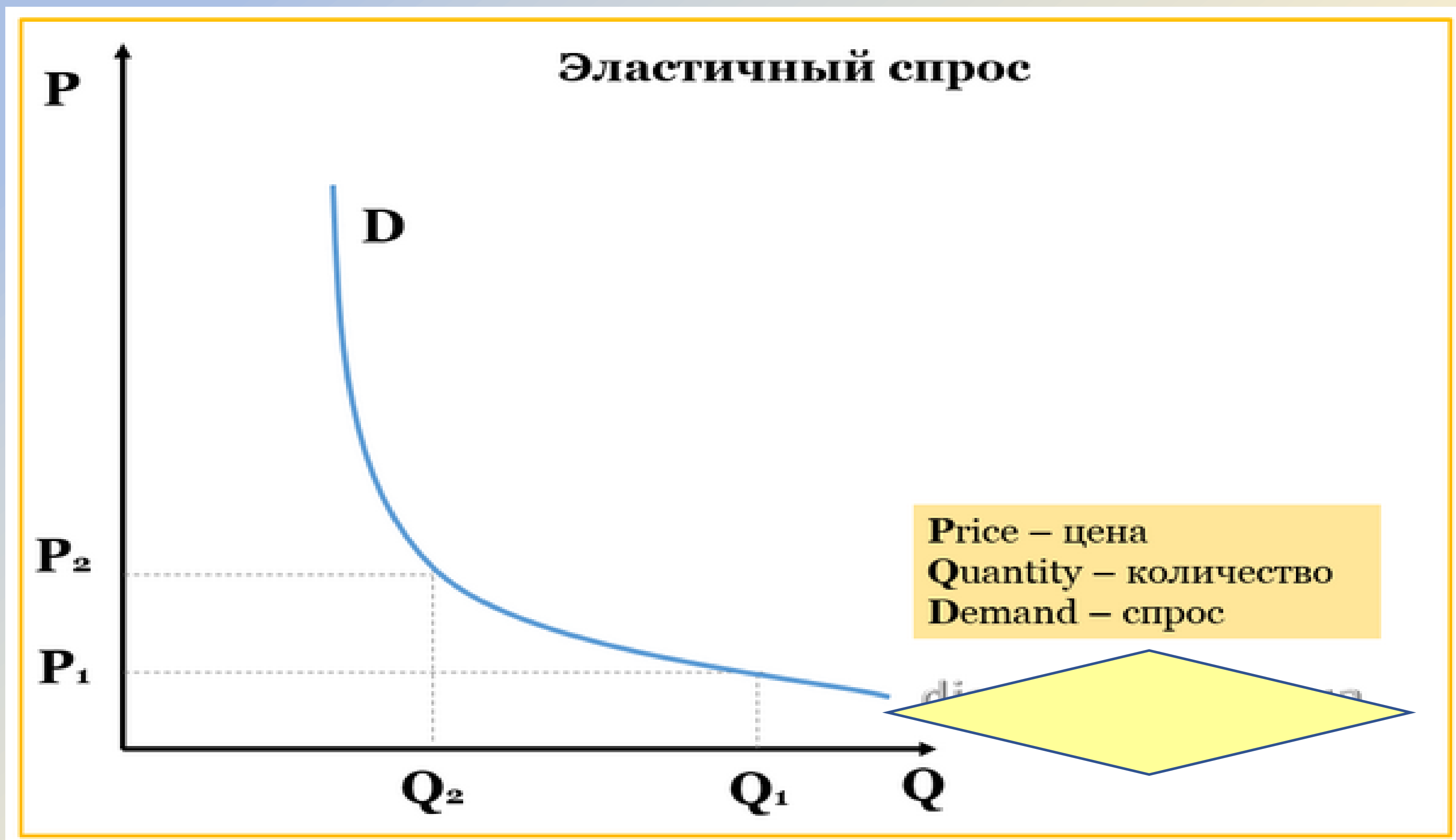
• *Perfectly elastic demand*

• E = ∞ , or **absolute elasticity** , **when a slight change in any parameter increases (or decreases) the volume by an unlimited amount. In this case, the demand curve is a horizontal line.**



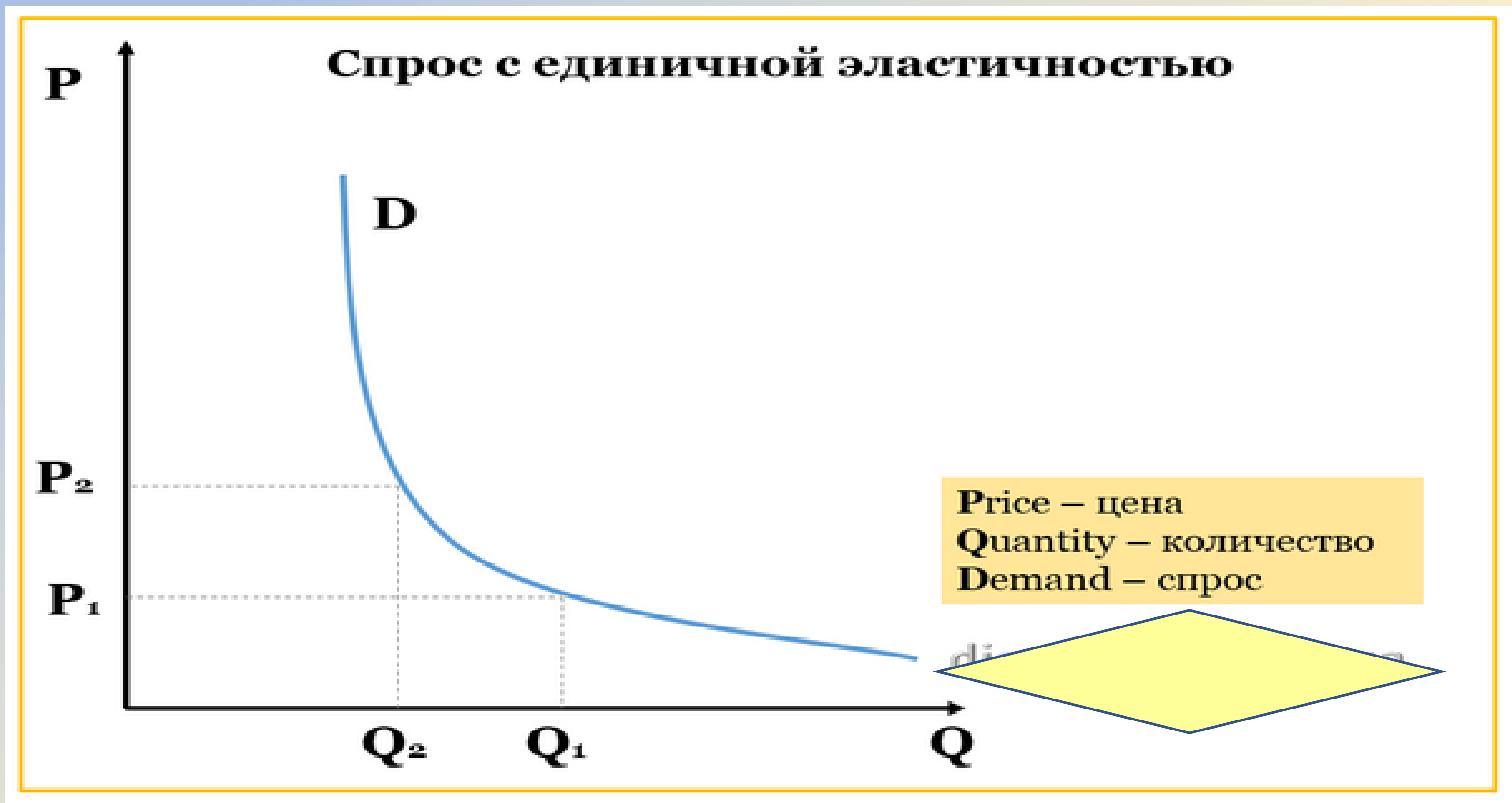
• *Elastic demand*

• **|E| > 1** , or **elastic demand** , **when a parameter grows at a higher rate than another factor changes.** For example, a 1% increase in price causes a 3% decrease in quantity demanded.



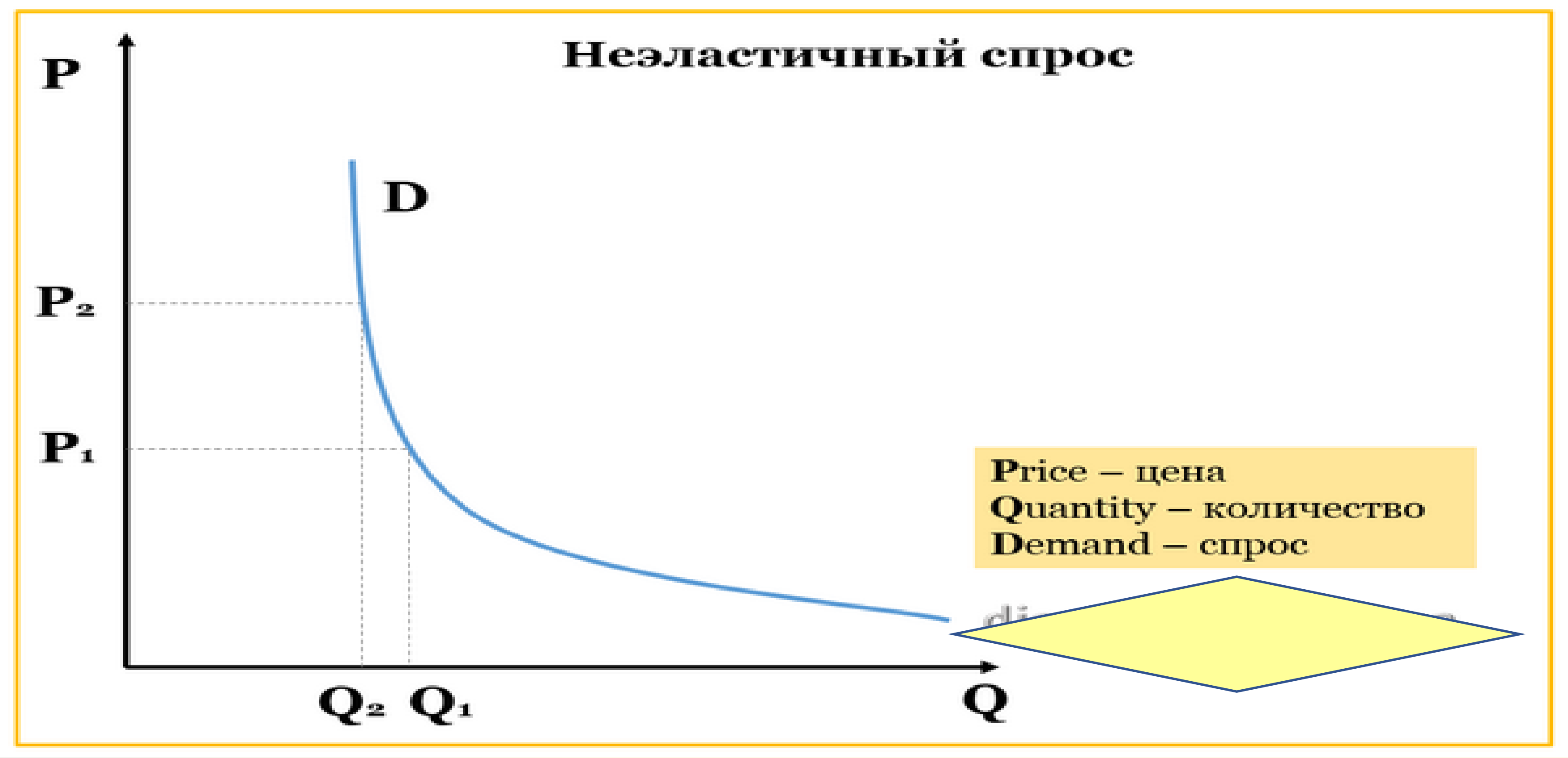
• ***Demand with unit elasticity***

- **E = 1** , or **unit elasticity** , when **the parameter under consideration grows at the same rate as the factor affecting it.** For example, an increase in price by 1% causes a decrease in quantity demanded by 1%.



• *Inelastic demand*

• **0 < E < 1** , or **inelastic demand** , **when the rate of growth of the parameter under consideration is less than the rate of change of another factor.** For example, an increase in the price of a product by 1% leads to a decrease in demand for it by only 0.4%.



- ***Perfectly inelastic demand***

- **E = 0** , or **absolute inelasticity** , **when a change in any parameter of market conditions does not affect the value of the factor under consideration.** This demand is represented by a vertical demand curve.

Types of elasticity of demand

The following types of elasticity of demand are distinguished:

income elasticity of demand

price elasticity of demand

Price Elasticity of Demand

Price elasticity of demand is based on the mechanism of the law of demand.

The law of demand states that the quantity demanded is inversely related to price (with the assumption that demand is not influenced by other (non-price) factors). **That is, the lower the price, the more buyers are willing to buy this product.**

However, **the degree of correlation between the price of a product and the amount of demand can be different not only for different groups (categories) of goods, but also for the same product** .

To assess the change in the quantity of demand for a product when its price changes, **the elasticity indicator is calculated.**

- Неэластичный спрос – спрос на товар, который меняется в меньшей степени, чем цена этого товара
- Эластичный спрос – спрос на товар, который меняется в большей степени, чем цена этого товара

Factors influencing the amount of supply and demand

In a modern market economy, the amount of supply and demand changes under the influence of a number of factors.

Generally speaking, these factors can be divided into 2 groups:

- **price factors;**
- **other (non-price) factors.**

Price is the main factor affecting supply and demand

PRICE is the main factor on which the amount of supply or demand depends. It is the price that forms the basis of the mechanism of action the law of demand and the law of supply .

The law of demand states that **the lower the price of a product, the more quantity of the product consumers want and can buy, i.e. An inverse relationship has been established between the price of a product and the quantity demanded** .

Law of supply states that **the higher the price, the greater the quantity of goods producers are willing to produce and sell** , i.e. between **price** and **quantity supplied** traceable **direct** dependence.

Non-price factors of supply and demand

The mechanism of action of the law of demand and the law of supply can be disrupted under the influence of various non-price factors.

Demand factors (main non-price factors influencing the amount of demand)

1. Income of the population . The higher the average income level of the population of a particular region, the higher its purchasing power. Accordingly, consumers can buy more goods and services. However, income growth has a dual effect across different product categories. For example, as income increases, the demand for low-quality goods decreases in favor of high-quality ones. The structure of consumption is also changing - the share of consumption of essential goods is decreasing and the consumption of luxury goods is increasing .

2. Number of buyers . The greater the number of buyers in the market, the higher the quantity of demand. For example, knowing the number of buyers and consumption standards for certain food products, you can determine the market capacity for a given product in a specific region.

3. Tastes and preferences of consumers . The amount of demand constantly fluctuates under the influence of consumer tastes and preferences. This could be “love” for technological innovations, environmentally friendly products, etc.; changing the lifestyle and social status of the consumer, a tribute to fashion, etc.

4. Availability and availability of substitute products . If a product has a substitute, then when the price of such a product increases, consumers will give preference to its analogues at an affordable price. For example, when the price of coffee rises, its consumption falls and tea consumption increases.

5. Additional products . These are interrelated goods, the consumption of which increases or decreases simultaneously with the main product. For example, with an increase in demand for real estate, the demand for building materials, engineering, construction and repair work, real estate services, etc. increases.

6. Taxation system . Changing the tax system has a direct and indirect impact on consumer demand. On the one hand, direct taxes (income tax, property taxes, etc.) lead to changes in the total net income of the population, which ultimately affects purchasing power and the amount of aggregate demand . On the other hand, indirect taxes (VAT , excise taxes) affect the final price of the product. Therefore, an increase in tax rates leads to a decrease in demand and vice versa.

7. Availability and credit conditions . The ability to buy goods in installments or on credit helps to increase effective demand. Banking institutions offer a wide range of credit programs - from credit cards to mortgages . In recent years , competition between banks and non-bank financial and credit institutions has intensified in the consumer lending market , which helps to increase the availability of lending and, accordingly, increase consumer demand.

8. Warranty and post-warranty service . If a manufacturer or distributor provides a guarantee for a product and provides warranty and post-warranty service, then the demand for such a product will be higher than for a product without a guarantee.

9. Seasonal factor . One of the factors for significant changes in demand is seasonality. For example, peak sales of food and beverages on the eve of the New Year and Christmas holidays, high demand for air conditioners in the hot summer or for heaters in the winter, etc.

10. Demographic factors . Changes in demand are affected by the age composition of the population (the share of the economically active population), migration (the growth of megacities and the "decline of the hinterlands"), the level of education (affects the level of income and, accordingly, the level of consumption), etc.

11. Natural and climatic conditions . On the one hand, natural and climatic conditions determine the structure of demand (the set of goods for the tropics will differ from goods consumed in a temperate climate), on the other hand, their sharp (abnormal) change leads to a surge in sales of certain goods. For example, prolonged heavy rains lead to increased demand for umbrellas, rain capes, rubber boots and other goods.

12. National and cultural-historical characteristics . They find their manifestation in increased consumption of certain goods and services. A surge in demand can be observed, for example, during national festivals or religious holidays (as a "tribute to traditions").

13. Marketing factors . In this case, it should be noted product quality , brand recognition , aggressiveness of advertising , trade marketing , distribution channels (in particular, the possibility of online purchase and courier delivery).

14. Consumer expectations . Current demand for individual products depends largely on consumer expectations . For example, future inflation expectations will lead to increased current consumption. The expected establishment (increase) of a tax on cars with a large engine capacity will create an increased demand for small cars, etc.

15. Other demand factors . The amount of demand can be directly or indirectly influenced by other factors, in particular government regulation, the level of unemployment in the country, exchange rate , GDP growth rate , etc.

Non-price factors can affect demand both individually and in aggregate (cumulatively)

F actors of the proposal

Supply may also depend not only on price, but also on certain **non-price factors, among which the following can be noted:**

1. Availability and cost of resources . In order to produce and market a certain product, a manufacturing company needs to purchase certain resources: raw materials, materials, components, etc. If prices for resources increase, the company will increase the cost of manufactured products. With a fixed price, this will lead to a drop in the profitability of the products sold, which in turn can lead to a loss of economic feasibility for the further production of such goods. Of course, in such a situation, the manufacturer can simply increase the price, but this is only possible if the demand for this product has low elasticity . Otherwise, the manufacturer will have difficulty selling its products at a higher price. Also, a shortage of resources may arise on the market (for example, due to unfavorable natural and climatic conditions, political upheavals, foreign economic sanctions, etc.), as a result of which production will be suspended altogether.

2. Technical progress . In recent decades, scientific and technological progress has reached unprecedented proportions: new technologies are being developed and old ones are being improved, new equipment with higher productivity appears, etc. As a result, resources are used more efficiently (with fewer losses), labor productivity increases, which ultimately leads to a reduction in the cost of the final product and/or an increase in its quality characteristics, which allows increasing production volumes by increasing productivity.

3. Taxes and subsidies . Revenue from the sale of products that the manufacturer receives also includes the amount of taxes included in the sales price. However, taxes must be paid to the budget, so only net income remains at the disposal of the manufacturer . Therefore, raising taxes has a negative impact on supply, while lowering them has the opposite effect. Sometimes producers can receive subsidies from the state , which has a positive effect on the volume of supply.

4. Number of manufacturing companies . The number of producers has a direct impact on the quantity of supply: the more companies there are, the greater the output of goods. However, in this case, limited resources should be taken into account, which also limits the amount of supply. In addition, as the market becomes saturated and competition intensifies , a number of companies may be left behind, especially in comparison with large players with economies of scale .

5. Manufacturer's expectations . Based on expectations, the manufacturer reacts in advance to predicted events. For example, a banking crisis will negatively affect the volume of mortgage lending , lead to a decrease in the quality of the loan portfolio and the sale of collateral , which ultimately will not only reduce effective demand, but will also lead to a fall in real estate prices. Therefore, development companies are suspending the implementation of new projects. And, for example, expectations for improving the investment climate in the country will contribute to the implementation of investment projects in order to increase production volumes.

THANK YOU BEHIND ATTENTION !