Behind the demand curve: Three determinants

Income: The level of income of consumers influences their consumption choices, and therefore the quantities of goods desired for any price level. In general, an increase in income leads to an increase in demand for all products.

The price of other goods: Let's take the example of digital books. If the price of e-readers decreases, the demand for digital books is likely to increase. These two goods are complementary: people need e-readers to read digital books. Now suppose that the prices of hard copy books decline. It is reasonable to expect that the demand for digital books will decrease, at any costs. These two goods are therefore substitutable for consumers.

Consumer preferences: Demand depends on the tastes, customs, social attitudes of consumers, and the effects of current. If fashion is digital, the demand for digital books will increase sharply.

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