

ECON: Demand Shifters

We all know demand for goods and services can rise and fall, but what causes it to do those things? In this activity students will demonstrate how consumers' income and preferences, prices of substitutes, and number of consumers in a market can affect demand.

Using This Activity In The Classroom

1. Print out the [four corner signs](#) and post them in four areas of your classroom (each area should have enough room for students to stand comfortably).
2. Review the products in the [activity slides](#) you'll be presenting to students.
3. Explain to students that they will be shown a series of products. For each one, a scenario will be read aloud and they will be asked to move to the four corners sign that matches their likelihood of buying the product shown in that scenario.
4. For each round, present the product slide and read the scenario. Then, ask students to move to the four corners sign they feel matches their likelihood of buying the product in that scenario.
5. After students give their initial answer and move to a corner, ask students to raise their hand or choose students at random to explain why they made that choice.
6. Ask the additional guided questions for each round and give students the opportunity to move to a different corner any time they feel their likelihood of buying that product has changed. (*Note: Each round will ask students if the goods are [normal](#) or [inferior](#) and if there are any substitute goods they would prefer to buy instead.*)
7. Once again, ask students to raise their hand or choose students at random to explain why they chose to move/not move.
8. Repeat steps 4-7 until all rounds are complete.
9. Distribute the Demand Shifters Reflection Question form to assess learning.

Round 1 (Instant Ramen)

Scenario: You've been following a monthly budget and this month is tight. You have \$20 in spending money to last until your next paycheck. You go through your pantry and it looks like you'll need more food to get you through the next two weeks.

After students have moved to a four corners sign, ask:

- A. Is the product on the slide a normal or inferior good?
- B. Are there any substitute goods you would prefer in place of this product?
- C. You received a \$200 bonus from your employer. Would you like to change your answer?
 - a. Explain this is the demand shifter: **Change in income**

Round 2 (Starbucks/Caribou)

Scenario: You've been working more hours and have more spending money this month to treat yourself. You remember learning about how much buying a latte here and there can add up over time, but you still want that morning pick-me-up.

- A. Is the product on the slide a normal or inferior good?
- B. Are there any substitute goods you would prefer in place of this product?
- C. A family friend opened an independent coffee shop in your neighborhood that sells products similar to the ones at the big chains. They spend a portion of their revenue on supporting community programs. Would you like to change your answer?
 - a. Explain this is the demand shifter: **Change in preferences**

Round 3 (Tropical Spring Break)

Scenario: Your parents have agreed to allow you to go on a tropical vacation with your friends for spring break, but you have to pay your own way. If you do this, you won't have any extra spending money for the next six months.

- A. Is the product on the slide a normal or inferior good?
- B. Are there any substitute goods you would prefer in place of this product?
- C. Your parents brought up the alternative of renting a nearby lake house that includes the use of a pontoon, jet ski, and public beach. This trip is much less expensive and your parents would cover the cost. Would you like to change your answer?
 - a. Explain this is the demand shifter: **Prices of substitutes**

Round 4 (AirPods)

Scenario: You received \$200 in cash from friends and family for your birthday. All of your savings and other spending goals are already taken care of. You've been wanting to buy new headphones and are considering buying some AirPods for \$180.

- A. Is the product on the slide a normal or inferior good?
- B. Are there any substitute goods you would prefer in place of this product?
- C. The popularity of AirPods has attracted lots of new customers and sent their price soaring to around \$300. Would you like to change your answer?
 - a. Explain this is the demand shifter: **Number of consumers in the market**

Reflection Questions

Given what you've learned, describe how each of the following factors can affect consumers' demand for products:

- A. When income increases, demand for a NORMAL good will likely _____, where demand for an INFERIOR good will likely _____.

- B. What are some examples of times when you and your friends' preferences changed and increased your interest in a product? How about when your preferences changed and decreased your interest in a product?
- C. If two products are nearly identical but one costs less, which one will consumers typically buy? Do you think this always happens? Why or why not?
- D. When there are lots of consumers in the same market, do you think you're more likely to try as hard as you can to get a product or to back out and wait for when there's less people to compete with?