**HOW A HIGHER PRICE AND A LOWER PRICE AFFECT CUSTOMERS AND PRODUCERS.**

1. **HOW A HIGHER PRICE AFFECT:** 1) The customers

* A higher price will lead to less customers being able to buy the product – an increase in price will force some customers to forgo buying the product because they can no longer afford it. This is true if the product is an inessential product and the customer can live without it.
* A higher price will lead to customers buying the product in a more frugal manner – this will happen if the product is an essential need and the customer can’t live without hence he/she will still buy it but not as much as before the price went up.
* A higher price might attract new customers – this is somehow counterintuitive but this scenario will only happen if the quality of the product is improved hence the customers will pay more since it will be worth the extra money and also new customers will follow suit and buy the product.
* A higher price might not affect the number of customers – if the product in question is being sold to people of a high economic status, then the price of the product will not lead to the loss of the current customers since they value the product and would not mind paying more for it.

2) The Producers

* A higher price would enable the producers to make more money- an increase in price directly translates to an increase in profit, this is true when the producers sell the product at a higher price without incurring an extra cost when it comes to manufacturing of the product.
* A higher price will lead to the producers not making any more money - if the cost of production becomes higher due to some economic factors, the producers will have to increase the price of their product but this would not translate to more profits for them, it will just be to offset the extra cost of production.
* A higher price will lead to the producers making less money - an increase in the price of a product will lead to the loss of some customers hence the producers will lose money because they have not sold the product.

1. **HOW LOWER PRICE AFFECT:**
2. The customers

* Lower prices will lead to an increase in the number of customers - this is because more people will be able to afford the product.
* Lower prices will lead to the customers buying more of the products – the customers will now have the liberty to buy more than what they used to buy.
* Lower prices might not necessarily lead to an increase in the number of customers – if the pool of customers is fixed then the lowering of the price will not lead to increase in the number of customers since the demand is constant.

1. The Producers

* Lower prices will lead to the producers making more money- if the producers find a way to lower the cost of production by making the same quality products in a cheaper way, more people will buy and the producers will make more money.
* Lower prices might lead to the producers making loses – if the cost of production remains constant, lowering the price of the product would mean that the cost will be incurred by the producers hence they will make losses and the business might fail.
* Lowering the cost may not cause any change in profits – this will be true if the cost of production is cheap hence the producers can lower the price of their produce and it will not affect them by incurring loses.