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

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

* A higher price will lead to a decrease in purchasing power- consumers will be forced to buy the product in a more frugal manner since they will have to spend more money buying the same product thereby limiting their ability to obtain the product or service.
* The consumers will be forced to reduce their quantity demand – when the price of a product or service increases, consumers will opt to but less of the product or at times decide to not buy at all.
* A higher price will lead to a change in the consumers consumption pattern – when the price rises, consumers will decide to look for similar products or services in the market that are cheaper meaning they will not consume the product as often as they used to previously.

2) The Producers

* A higher price would enable the producers to make more money- an increase in price directly translates to an increase in revenue, 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.
* If a product or service is of a higher price, it might attract new competition- more producers will enter the market to produce the same product leading to a flood of similar product hence putting pressure on themselves to do something to their individual products so as to stand out from the crowd.
* A higher price can lead to the producers making less money - an increase in the price of a product or service will can lead to the loss of some consumers hence the producers will lose money because they have not sold the product.

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

* Lower prices will lead to an increase in consumers purchasing power– the consumers will now have the liberty to buy more than what they used to buy since they can use the same money to buy more/larger quantity of the product.
* Lower prices might not necessarily lead to an increase in the number of consumers – if the pool of consumers is fixed then the lowering of the price will not lead to increase in the number of consumers since the demand is constant.
* Lower prices will lead to an increase in product demand – lower price will directly mean that more consumers can now afford the product/service leading to higher sales and higher consumption for the consumers.

1. The Producers

* Lower prices might lead to the producers increasing their revenue- if the producers find a way to lower the cost of production but still make the same quality products, more people will buy and the producers will make more money.
* Lower prices might lead to decreased revenue – if the cost of production remains constant, lowering the price of the product would mean that the cost of production will be more than the profits being made. This will mean that the producers 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.