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

In a grocery store, the price for a bottle of milk is different from that of a loaf of bread, ten years ago, their prices were not the same as they are today, why is this? As much as we would wish that the price of a particular product or service be to our desired preference, sadly it never is. Most of the factors that directly dictate the price of the products and services we consume are not within our control (we as the consumers) and neither within the control of the producers.

Some of the factors that will directly affect the cost of a service or product include: the cost of the inputs used to create the product, the supply and demand dynamics, government policies that are implemented in the country in question, level of and number of competitors and many more factors. All the factors stated above will dictate what the price will be: either lower or higher, the price of the service or product has its repercussions on both the producer and the consumer.

The implications that will arise as a result of the fluctuation or rather the valuation of the product or service will force both the producers and the consumers to adjust accordingly so as to remain viable in the market place (on the part of the producers) and to enjoy the best products and services available in the market (on the part of the consumers).

For us to better understand the effects of higher price and lower price on consumers and producers, it is imperative for us to explore them differently. Differently in this manner: first to explore the effects of higher price on consumers and producers then lastly to explore the effects of lower prices on consumers and producers.

1. **HOW A HIGHER PRICE AFFECTS CONSUMERS AND PRODUCERS**

**Effects on consumers**

* **Cause a decrease in purchasing power:** since the consumers will have to spend more money buying the same product, it will limit their ability to obtain the product or service as much as before, hence they will obtain it less frequently.
* **Reduced quantity demand:** when the price of a product or service is higher, the consumers will opt to buy less of the product or at times decide not to buy at all. This causes the demand of the product or service to reduce.
* **A change in the consumption pattern:** when the price is higher, consumers will decide to look for similar products or services in the market that are cheaper, this will result in the consumers to abandon their previously consumed product or service for new cheaper ones.

**Effects on producers**

* **Increased revenue:** 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 and the demand of the product is as it was before the price rose.
* **Attraction of new competition:** more entrepreneurs will be attracted to produce the same high revenue producing product (or service), leading to not only a flood of similar product (or service) in the market but competition for buyers.
* **Reduced revenue:** an increase in the price of a product or service can lead to the loss of some consumers hence the producers will lose money because they have not sold the product.

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

**Effects on consumers**

* **An increase in purchasing power:** the consumers will now have the liberty to buy more than what they used to buy, since they can use the same amount of money to buy more/larger quantity of the product.
* **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.
* **An increase in product demand:**  lower price will directly mean that more consumers can now afford the product or service. This will lead to higher sales and higher consumption for the consumers.

**Effects on producers**

* **Increasing their revenue:** if the producers find a way to lower the cost of production but still make the same quality products, the lowering of the product’s price will lead to more people buying their products and the producers will make more money.
* **Might also 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.
* **Might not cause any change in profits:** this will happen in a scenario where the cost of production is constant as before, more consumers buy the now cheap product but the extra money obtained from sales is used to offset the high cost of production. Therefore, in the end of the day even if more consumers have bought the product, the money is used up elsewhere and the producers don’t make any more profits.

As discussed above, both a higher price and a lower price have their own effects on both the producers and the consumers. Almost all of the effects are intertwined; in that, an effect on the consumers will reflect on the producers’ side and vice versa. For any business to succeed, it is critical for them to carefully analyze these factors and many more so as to determine the best and reasonable pricing range/ strategy that will consider both their profitability potential and also the consumers’ needs.