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

When the price of a product or service is higher or lower, it will affect the consumers and producers differently. To better understand this statement we have to explore the effects of higher prices on consumers and producers differently from the effects of lower prices on consumers and producers.

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

**Effects on consumers**

* **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 before hence they will obtain it less frequently.
* **Reduced quantity demand:** when the price of a product or service is higher, consumers will opt to but less of the product or at times decide not to buy at all.
* **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, meaning they will not consume the product as often as they used to previously.

**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.
* **Attraction of new competition:** more entrepreneurs will be attracted to produce the same high value product leading to a flood of similar product in the market.
* **Reduced revenue:** 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 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 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/service leading 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, more people will buy 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 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.