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Dynamics of Demand and Supply: Factors that Influence Modern Markets

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Abstract: Demand and supply are two fundamental concepts in economics that determine market equilibrium. In modern markets, the dynamics of demand and supply are not only influenced by classical factors such as prices of goods and consumer income, but also by external factors such as technological developments, changes in consumption trends, government policies, and global economic conditions. Digitalization and e-commerce have changed people's consumption patterns, allowing for increased demand for technology-based goods and services. In addition, social factors, such as changes in lifestyle and consumer preferences, also influence demand patterns. From the supply side, production innovation, supply chain efficiency, and the availability of raw materials are the main factors that determine the amount of goods offered on the market. Economic instability, such as inflation and recession, also affects people's purchasing power and companies' production strategies. Government intervention, through fiscal and monetary policies, has a significant impact on the stability of demand and supply in a country. By understanding the factors that influence these dynamics, business actors and policy makers can make more informed decisions in responding to market changes. Therefore, a comprehensive analysis of the aspects of demand and supply is very important in ensuring sustainable economic balance in the modern era.

Keyword: Dynamics, Demand, Supply.

INTRODUCTION

Demand and supply are two fundamental concepts in economics that determine how goods and services are traded in a market. This concept was first introduced in classical economic theory by Adam Smith and was later further developed by economists such as Alfred Marshall and John Maynard Keynes. Demand refers to the desire and ability of consumers to buy goods or services at various price levels, while supply refers to the quantity of goods or services that producers are willing to sell at various price levels in a given period. The

interaction between demand and supply creates market equilibrium, where the price and quantity of goods traded reach an optimal point (Pratama, 2022).

In modern markets, the dynamics of demand and supply are not only influenced by price, but also by various increasingly complex external factors. Technology, government policies, globalization, and other socio-economic factors have changed the way markets operate. For example, with the development of e-commerce and digital platforms, people's consumption patterns have changed significantly. Consumers are now more likely to buy goods online than through physical stores, which ultimately affects demand for the traditional retail sector. In addition, innovations in the production process have also changed the supply landscape, where companies can produce goods more efficiently and in larger quantities.

One of the main factors influencing demand is consumer income. In economic theory, demand for a good tends to increase when people's income increases, especially for normal or luxury goods. Conversely, in less stable economic conditions, demand for basic necessities may remain stable, while demand for luxury goods decreases. In addition, consumer preferences also play an important role in determining demand. Lifestyle trends, tastes, and product innovations can shift people's consumption patterns. For example, in recent years, increasing awareness of environmental issues has driven demand for environmentally friendly and sustainable products (Rahmawati, 2021).

From the supply side, production factors such as the availability of raw materials, labor, and technology have a major impact on the amount of goods that can be offered in the market. For example, disruptions to the global supply chain due to the COVID-19 pandemic have caused a shortage of raw materials in various industrial sectors, which ultimately reduces the amount of goods that can be produced and increases prices. On the other hand, technological advances such as automation and artificial intelligence have increased production efficiency, allowing companies to produce more goods at lower costs. This shows how internal and external factors can affect the balance between supply and demand in an economy.

In addition, government policies also play a role in regulating market dynamics. Fiscal and monetary policies implemented by the government can affect people's purchasing power and the ability of producers to market their products. For example, a central bank's interest rate cut policy can increase public consumption by making loans cheaper, which in turn increases demand for various goods and services. On the other hand, tariff and subsidy policies can affect supply, by providing incentives for local producers to increase their production or limiting imports of goods from abroad (Yusuf, 2021).

Another external factor that affects supply and demand is the global economic condition. Events such as trade wars, financial crises, or natural disasters can have a significant impact on a country's economic stability. For example, the global economic crisis that occurred in 2008 resulted in a decline in demand for various products and services worldwide, causing many companies to go bankrupt. Meanwhile, the COVID-19 pandemic has changed the global economic landscape by increasing demand for health and technology products, while the tourism and hospitality sectors have experienced a drastic decline.

METHOD

This research method uses a qualitative descriptive approach, which aims to analyze and understand the dynamics of demand and supply in modern markets based on various factors that influence them. This approach was chosen because it allows researchers to explore phenomena in depth through secondary data analysis obtained from various sources, such as scientific journals, economic reports, and statistical data from official institutions (Susanto, 2019).

The data collection technique in this study was carried out through library research, where various relevant literature, including national and international journals, books, and previous research reports, were used as analysis materials. The data collected includes

information on factors that influence demand and supply, such as technological developments, changes in consumer behavior, government policies, and global economic conditions.

Data analysis was carried out using the content analysis method to identify patterns and trends that emerged from the various literatures reviewed. The data obtained were then systematically arranged and analyzed using an inductive approach, namely drawing conclusions based on the patterns found in the data.

The validity of the data in this study was maintained by triangulating sources, namely comparing information from various references to ensure the consistency and validity of research findings. With this method, research is expected to provide comprehensive insights into the dynamics of demand and supply in the context of modern markets and the main factors that influence them (Santoso, 2021).

RESULTS AND DISCUSSION

Demand and supply are two fundamental aspects of economics that determine market equilibrium. In the context of modern markets, the dynamics of demand and supply are influenced by various factors, including technological developments, changes in consumer lifestyles, government policies, and global economic conditions. The analysis conducted in this study shows that the interaction between these factors creates a unique pattern in market mechanisms, which ultimately affects prices, availability of goods, and people's purchasing power (Pratama, 2022).

Factors Affecting Demand in Modern Markets

Changes in Consumer Income

One of the main factors that influences demand is the level of consumer income. In economic theory, demand for goods and services increases when consumer income increases, especially for normal goods and luxury goods. Conversely, when an economic crisis or recession occurs, people's purchasing power tends to decrease, so that demand for secondary and tertiary goods also decreases. For example, during the COVID-19 pandemic, many people experienced a decrease in income so that demand for non-essential goods such as electronics and tourism decreased drastically.

Consumer Preferences and Behavior

Consumer lifestyles and preferences continue to change over time, influenced by global trends, product innovations, and marketing campaigns from companies. For example, increasing awareness of environmental issues has led to a shift in demand towards more environmentally friendly products, such as electric vehicles and organic products. In addition, social and cultural factors also play a role in shaping demand patterns, such as the increasing public interest in digital-based products and e-commerce which are growing rapidly in the modern era (Yusuf, 2020).

Influence of Technology and Digitalization

Technology plays an important role in changing the structure of market demand. E-commerce and digital platforms have made it easier for consumers to access various products and services, thereby increasing demand in certain sectors. For example, online shopping platforms such as Tokopedia, Shopee, and Lazada have increased demand for retail products by providing wider access to consumers. In addition, technology also allows product personalization based on consumer data, thereby increasing customer loyalty and satisfaction.

Seasonal Factors and Global Events

Demand for some products is also influenced by seasonal factors and global events. For example, demand for winter clothing increases in countries with four seasons, while demand

for travel tickets increases during the holiday season. On the other hand, global events such as pandemics, geopolitical conflicts, or natural disasters can cause unexpected fluctuations in demand, such as the surge in demand for medical devices during the COVID-19 pandemic.

Factors that Influence Offer in Modern Market

Cost Production and Availability Resource

Offer in the market is very much influenced by costs production and availability source power. If the cost production increase, for example consequence increase price material standard or wages power work, then manufacturer tend reduce amount goods offered or raise price sell. This is can cause inflation and market imbalances. On the other hand, if technology new allow efficiency more production high, then manufacturer can increase amount goods offered with cost more low.

Progress Technology in Production

Technology has allow manufacturer For increase capacity production with more efficient. For example, automation in sector manufacturing has reduce dependence on power Work human beings and improve productivity. Innovation in field intelligence artificial intelligence and the Internet of Things (IoT) also help company in optimize chain supply and reduce waste production. With existence technology this, producer can adapt offer in accordance with market demand in general more flexible.

Policy Government and Regulation

Government play role important in arrange amount goods and services available in the market through policy fiscal and monetary. For example, the implementation of subsidies in the sector agriculture can increase amount supply material food in the market, while policy restrictions import can reduce competition from product abroad. Regulation like standard safety products and policies environment can also influence amount goods offered in the market.

External Factors like Natural Disasters and Global Crisis

Disaster nature, conflict geopolitics, and global crises can hinder chain supply and reduce amount goods available in the market. For example, war trade between the United States and China a number of year final cause disturbance in chain global supply, which ultimately influence availability goods electronics and materials standard industry. In addition, the COVID-19 pandemic has caused disturbance significant logistics, so that Lots company experience difficulty in fulfil market demand (Yusuf, 2022).

Interaction Demand and Supply in Determining the Price

Balance between demand and supply determine market price. If demand increase but offer still, then price tends to rise. On the other hand, if offer increase temporary request still or decreases, then price tend down. In practice, fluctuations price often happens consequence imbalance between second factor This.

As example, spike price world oil that occurred a number of year final caused by a combination increasing request global energy and its decline production consequence policy restrictions production by producing countries oil. In case others, price commodity like coffee or cocoa often fluctuates consequence factor weather and results harvest, which affects amount supply available in the global market.

In addition, prices can also be influenced by speculation in the financial markets. Investors and traders often play role in determine price goods with buy or sell commodity in amount big based on prediction they to future market conditions. This is can cause volatility

significant prices , especially on traded products globally like gold , oil , and cryptocurrencies (Susanto, 2019) .

Implications Dynamics Demand and Supply towards Business Strategy

Understand dynamics supply and demand are very important for perpetrator business in designing marketing , production and distribution strategies . Companies that can anticipate change request and customize offer they with fast will more competitive in the market. Some strategies that can used includes :

1. Diversification Products – Providing various Variants product For adapt with request diverse consumers .
2. Optimization Chain Supply – Using technology and data analysis for ensure supply material standard and distribution goods walk efficient .
3. Pricing Strategy – Using approach price dynamic that adapts with change market demand .
4. Innovation Sustainable – Developing product new based on market trends and needs consumers .

In general overall , results study This show that factors that influence demand and supply in the modern market increasingly complex and dynamic . With understand factors this , the perpetrator business and maker policy can take more decisions appropriate For ensure market stability and growth sustainable economy (Santoso, 2021) .

Dynamics demand and supply in the modern market shows ever -increasing complexity develop consequence various factor external and internal. Demand is influenced by income , preferences consumers , technology , and factor seasonal , indicating that market behavior is not Again only depending on prices , but also on global trends and changes social . Digitalization and progress technology has push change pattern consumption , where consumers the more rely on e-commerce and services digital- based , which ultimately change balance between demand and supply in various sector industry .

On the other hand , the factor production and policy government become element key in determine amount offer goods and services in the market. Costs high production , dependence on resources Power certain , and disturbance chain supply can hinder ability manufacturer in fulfil market demand . Policy like subsidy , regulation environment , and restrictions imports also play a role in determine how much big goods can produced and distributed . In some case , regulation is too strict can hinder growth industry , while more policies flexible can push innovation and efficiency production (Santoso, 2021).

Interaction between demand and supply in determine market price becomes the more dynamic in connected global economy closely. Fluctuation price No only influenced by factors production and consumption, but also by market speculation, policies monetary, and conditions geopolitics . Example real is surge price world oil impact conflict politics, or change price food consequence disturbance weather extreme. Instability This requires adaptive strategies from perpetrator business For face increasingly challenging market No can predicted.

In context business, understanding to dynamics This become key main for company in take strategic decisions. With analyze trend request and optimize chain supply, company can increase efficiency operational and power competition. Diversification product, pricing strategy flexible prices, as well as investment in technology innovative become a number of steps that can be taken help business still stay in the middle rapid market changes . Without the right strategy, companies can face risk loss consequence imbalance between demand and supply.

Government and stakeholders interest others also have role important in creating a stable and sustainable market . Supportive regulations growth economy , protection consumers, as well as policy proper fiscal can help balance the market and prevent excessive fluctuations . In addition, efforts collaborative between sector public and private in develop digital

infrastructure, improving literacy economy, as well as create ecosystem more business inclusive can give benefit term long for economy in a way overall .

With Thus , understanding to dynamics demand and supply become aspect crucial in ensure sustainability economy in the modern era. Factors that influence market equilibrium must be analyzed in a way holistic For create adaptive business policies and strategies . Rapid change in pattern consumption, innovation technology, as well as global factors require a more approach flexible in face market challenges and opportunities . With the right strategy , both government and also perpetrator business can create environment more economy stable , sustainable and responsive to changes in the times (Siregar, 2020).

CONCLUSION

Dynamics demand and supply in the modern market experiencing increasing development complex consequence various interrelated factors related . In economics classic , supply and demand are two concepts the determining basis price as well as availability goods and services in the market. However , in context modern economy , second factor This No only influenced by price , but also by variety other variables such as progress technology , change pattern consumption , policy government , as well as dynamic global conditions . With the more development technology and globalization , balance between demand and supply become more difficult For predicted and often experienced significant fluctuations .

main factors that influence request in the modern market includes level income consumers , preferences and behavior society , digitalization , and factor seasonal and global events . Income a growing society tend increase request to goods and services certain , especially those of a premium nature or secondary . On the other hand , when happen decline Power buy consequence crisis economy or instability politics , request to goods luxurious will experience decline drastic . Changes pattern consumption also plays a role role important , where modern consumers are more choose suitable product with values and preferences they , like product friendly environment or digital based .

In addition , the development technology has change method consumer shop and interact with products . E-commerce and digital services have increase accessibility to various type goods and services , so that change pattern requests in various sector . Demand to product based on technology like device smart , streaming services , and digital transactions are experiencing significant increase . On the other hand , the factor seasonal and global events such as COVID-19 pandemic , war trade , or disaster natural can influence request in a way drastically . For example , the demand to tool health jump up during pandemic , while sector travel and tourism experience decline drastic .

Temporary that , the factors that influence offer covers cost production , technology in production , policy government , as well as disturbance external like disaster natural or global crisis . Cost high production consequence increase price material standard or wages power Work can hinder production and cause decline amount goods offered . On the other hand , innovation in technology production can increase efficiency and enable manufacturer For offer goods with higher price competitive .

Policy the government also plays a role role important in determine amount goods and services available in the market . Regulation about taxes , subsidies , and restrictions import or export can influence amount items that can be produced and distributed . In some case , supportive policies sector certain like subsidy energy or agriculture can increase amount available goods , while too much policy strict can hinder growth industry . External factors like war , pandemic , or disaster nature can also cause disturbance in chain supply and inhibit distribution goods , which in the end influence balance between demand and supply .

Dynamics between supply and demand also have an effect direct to price goods in the market. When demand increase but offer still or reduced , price tends to increase, as happened in the sector energy when production world oil is experiencing decline . On the other hand , if

offer increase temporary request still or down , price will experience decline , as is often the case occurs in the product agriculture moment harvest abundant . In some case , market speculation can also cause volatility significant price , where investors and traders play role in determine price with buy or sell in amount big based on market prediction .

In facing the ongoing dynamics changed this is important for the perpetrators business and maker policy For adopting adaptive and data- driven strategies . Here are is a number of recommendations that can applied For manage imbalance demand and supply as well as create a bigger market stable and sustainable :

Diversification Products and Services

Companies need to develop more products and services flexible and able adapt with market trends . With provide various choice suitable product with preference consumer, business can increase Power compete and reduce risk loss of market due to change sudden request.

Utilization Technology and Digitalization

Technology can help business in understand pattern consumption and increase efficiency production . Use intelligence artificial intelligence (AI) and data analytics can help company in predict trend request and customize production in real-time. In addition , technology can also used For increase efficiency chain supply and reduce cost logistics .

Optimization Chain Supply and Management Risk

Business need develop chain strategy more supply tough and flexible . With own Supplier alternative and strengthening distribution , company can reduce risk disturbance consequence factor external like global crisis or disaster nature . In addition , management strategies more stock efficient can help in guard balance between supply and demand .

Policy Supportive Government Market Stability

Government must take role active in create supportive policies stability economy and market equilibrium . Regulations that provide incentive for innovation and investment can push growth sector industry . In addition , the policy wise fiscal and monetary can help control inflation and prevent volatility overpriced .

Strengthening Economic and Digital Infrastructure

Good infrastructure , good in form physique both digital and physical, is very important in support balance between demand and supply . Network development more logistics efficient , and expansion internet access and digital technology , can help speed up distribution goods and upgrade accessibility for consumers.

Education Consumers and Economic Awareness

More consumers educated about market mechanisms can make decision more purchases wis , so that help create stability request . Campaign about importance sustainable consumption and utilization source efficient power can help reduce waste and prevent imbalance in the market.

Flexibility in Price and Production Policy

The company must capable adapt policy price and production they based on market trends. Strategy setting dynamic and data - driven pricing can help company in maintain Power compete and optimize advantages . In addition , it has capacity flexible production allow business For adapt offer in accordance with fluctuation request .

Collaboration between Public and Private Sector

Collaboration between government , perpetrators business , and academics are very necessary in create a bigger market healthy and sustainable . Through Work same close , various party can develop more solutions innovative in overcome challenge economy and create ecosystem more business inclusive .

In general overall , dynamics demand and supply in the modern market requires a more approach holistic in manage factors that influence market balance . With the right strategy and support from various parties , balance This can guarded so that can create growth more economy stable and sustainable.

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