

Asymmetric information and consumer demand

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Abstract

© 2014, Canadian Center of Science and Education. All rights reserved. In the paper study the peculiarities of the formation the consumer demand for durable goods, the so-called «experience goods» in markets with asymmetric information. In the known literature sources studying of the demand is based on the assumption that at the moment of the purchase of goods and services people know exactly what price they are willing to pay for them and what utility they are going to obtain using those goods and services. Consider the signal model in which the initial price and advertising expenditures are the signals of the quality influencing the formation of the demand for new goods offered by the company of unknown quality through consumer behavior. The basis of this model is the study of producers by consumers, acquisition of knowledge, information about price and quality, as well as their use in order to determine the market share of high-quality goods and low-quality goods in the asymmetry of information.

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Keywords

Consumer demand, Costs, Durable goods