**Marketing assignment**

**Name of student**

**Name of Teacher**

**Price Elasticity of Demand, Pg. 442**

The price elasticity of demand is the responsive of change in demand to a change in price. In other words we can say that the change in demand with respect to a unit change in price is measured by this concept. The price will be elastic if the change in demand will be more than change in price. If the change in demand is less than change in price, the demand will be inelastic. The implication for the marketers lie in the fact that the differences in the elasticity will mean that the products will react differently to the change in price in terms of revenue. If the price of a product is changed in case of elastic demand, the revenue will move in the opposite direction as the price. In case of inelastic demand, the revenue will move in the same direction as the revenue.

**Cross price Elasticity Pg. 445**

The cross price elasticity is measured in two ways. Either in the case of substitutes or in the case of compliments. In case of substitutes the figure obtained in the answer would be positive as the price increase in one product will result in the increase of the demand for the other product. Example would be pepsi or coke. In case of compliments, the resultant figure would be negative which means that the increase in the price of one product will result in the decrease in the demand for other. Example is car and petrol.

Answer a)

The price should be set lower than the competitor. This aspect is called the penetration pricing which is done to penetrate in the market. The price will be set initially to attract the customers.

Answer b)

This aspect is related to the elasticity of demand whereby the impact on the revenue of any price change is studied. If the demand is elastic, then the opinion of the roommate is right to maximize the revenues by decreasing the price. If the demand is inelastic, then the other opinion is right to increase the prices to increase revenue. However the increase in revenue will not be much in case of inelastic demand.

Answer c)

1000/40-20

=1000/20

=50 units

1000/60-20

=1000/40

=25

We calculate the breakeven by dividing the costs by contribution margin. The contribution margin is calculated by subtracting the variable costs from sales price. If the priceis $ 40, the company will break even at 50 dogs and if the price is $ 60, the breakeven point will be 25 dogs.