Price Elasticity of Demand

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**Answer 1**

Figure against dark beer shows that this product is very much price elastic because 1.48 is greater than 1. In other words, percentage change in quantity demanded is higher than percentage change in price. A small increase in price for this product will result in a considerable decrease in quantity demanded. There will be a disadvantage to company if it increases price of this product.

**Answer 2**

The figure for whole industry is 0.44 which shows am inelastic demand. This means that there will be less change in quantity demanded as compared to price in the industry. In order to increase demand in industry as a whole, a huge decrease in price will be required.

**Answer 3**

Blended Scotch whiskey is the product that has most inelastic demand among all these products. This judgment has been made by observing the figure of 0.07 which shows very low change in quantity demanded as compared to price. The company can increase the price of this product to increase its total revenue because price and total revenue move in same direction in case of inelastic demand.

**Answer 4**

Overall industry demand is inelastic as the average figure is less than 1. As a CEO, I will increase the price of beer because in case of inelastic demand, price and total revenue go in the same direction. If we increase prices in this scenario, there will be an increase in total revenues of the firm. Prices should be increased for brands which have price elasticity less than 1, in fact, lower the elasticity, greater will be the benefit of increasing product’s price. Products having elasticity greater than one should have lower prices.

**Answer 5**

There is a considerable difference between price elasticity of demand in developed and emerging countries. Single malt scotch whiskey and sparkling wine are two products which show highest differences in elasticity among developed and developing countries.