

**Price elasticity of demand and income elasticity of demand**

1. Produce a mind map stating the factors that will impact a product’s price elasticity of demand.
2. Analyse the impact that the following price changes will have on the revenue of the four products below.

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| **Product** | **Price elasticity** | **Planned action** |
| 1 | -0.2 | Drop prices |
| 2 | -5 | Increase prices |
| 3 | -1.1 | Drop prices |
| 4 | -0.8 | Increase prices |

1. Explain what inferior products are in relation to income elasticity of demand (IED).
2. Discuss whether it is essential for a firm such as Barclays Bank to analyse its market and forecast its future levels of demand. Justify your view. (16 marks)
3. Analyse the potential impacts of a high-end fashion retailer attempting to increase sales figures by decreasing its prices. The firm has estimated that they have a PED of -0.7 for its products and has three major rivals who offer similar products, but they all have distinctive brand identities. (9 marks)

**Exam tip:**

* Consider the type of firm in the question and the unique issues they face. What is their market position and what are the major forces that impact their actions and success. Ensure this influences your answers.



