Price and Income Elasticity of Demand Worksheet

Knowledge and understanding

1. State two methods Nestle might take to reduce the price elasticity of KitKat chocolate bars. [2]
2. Explain three ways a firm could make use of information about the price elasticity of its brands. [6]
3. Identify three external factors that could increase the price elasticity of a brand of chocolate [3]

Extension:

1. Suggest two brands that:
   1. Have low price elasticity but high income elasticity [2]
   2. Have low income elasticity but high price elasticity [2]

Research Tasks

1. Investigate and analyse the demand for the following products, and determine (intuitively) their Price Elasticity of Demand:  
     
   WALKERS CRISPS  
   MARLBORO LIGHTS CIGARETTES  
   EASYJET FLIGHTS TO BARCELONA
2. Find three examples of each of the following product types. Explain why they fit into these categories.  
     
   INFERIOR  
   NORMAL  
   LUXURY
3. Investigate and analyse the demand for one product out of each category over the last fifteen years. (i.e. one NORMAL good, one INFERIOR good and one LUXURY good).   
   Use the theory of INCOME ELASTICITY OF DEMAND to explain these shifts in demand.