



**SOS IN COMPUTER SCIENCE &
APPLICATION
JIWANJI UNIVERSITY**

Class : MBA (E-Commerce) II Semester

Subjet: Managerial Economics

Paper Code: (205)

Topic: (i) Elasticity of Demand

(ii) Demand Forecasting

Elasticity of Demand

- ▶ The demand for any commodity depends upon the price of the commodity, with the condition that other things remain equal. Whenever there is a change in price, there is also a change in the quantity demanded.
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Measurement of Elasticity of Demand

Prof. Marshal suggested, a mathematical method for measuring elasticity of demand.

The formula of this method is:

$E = \frac{\text{Percentage change in demand for a product}}{\text{Percentage change in the price of the product}}$



Factors determining Elasticity of Demand

- ▶ The Elasticity of Demand is based on:
 - ▶ 1. Nature of commodity
 - ▶ 2. Extent of use
 - ▶ 3. Range of substitutes
 - ▶ 4. Income level
 - ▶ 5. Influence of price
 - ▶ 6. Urgency of demand
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Kinds of Elasticity Measurement

- ▶ There are two kinds of Elasticity Measurement:
 - ▶ 1. Point elasticity
 - ▶ $E = \Delta Q / \Delta Z \times Z / Q$
 - ▶ 2. Arc elasticity
 - ▶ $E = \Delta Q / \Delta P \times P_1 + P_2 / Q_1 + Q_2$

Types of Elasticity of Demand

Basically there are three types of elasticity of demand:

1. Price Elasticity of Demand
 2. Income Elasticity of Demand
 3. Cross Elasticity of Demand
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Price Elasticity of Demand

In the price Elasticity of Demand, there are:

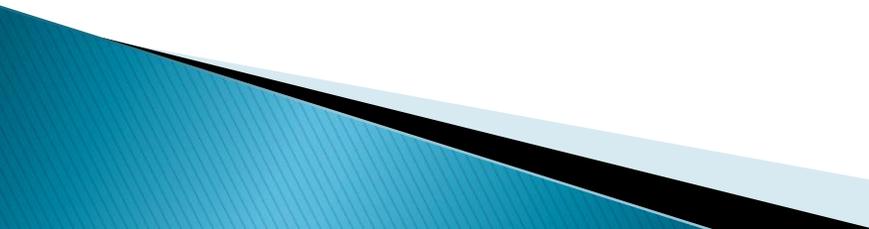
1. Perfect elastic demand ($E = \infty$)
2. Perfect inelastic demand ($E = 0$)
3. Unit elastic demand ($E = 1$)
4. Relatively more elastic demand ($E > 1$)
5. Relatively inelastic demand ($E < 1$)

Demand forecasting

Demand forecasting is an estimate of sales in monetary or physical units for a specified future period under a proposed marketing plan or programme and under an assumed set of economic and other forces outside the unit for which the forecast is made.



Methods of Demand Forecasting

- ▶ There are various methods of demand forecasting:
 - ▶ 1. Evolutionary method
 - ▶ 2. Substitute method
 - ▶ 3. Growth curve method
 - ▶ 4. Opinion polling method
 - ▶ 5. Correlation method
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Opinion Polling Method

Under the opinion polling method ,there are three methods:

1. Consumer survey method
2. Sales force opinion method
3. Experts opinion method