How to calculate price elasticity of demand:

Price Elasticity of Demand

- The formula for Price Elasticity of Demand:

$$\text{Ped} = \frac{\%\ \text{change in quantity demanded}}{\%\ \text{change in price}}$$

PED = 0 = Perfectly Inelastic
PED < 1 = Inelastic
PED = 1 = Unitary
PED > 1 = Elastic
PED = infinity = Perfectly Elastic

Elasticity and markets:
Most firms don't face extremes of a nearly perfectly elastic or inelastic demand good. The objective for most firms is to try and make the price elasticity of demand less elastic. This gives firms greater levels of control over their prices.

Reducing price inelasticity:
-Strengthen their brand power
-To encourage greater levels of consumer loyalty
-To promote the unique selling points of their goods over competitors
-To reduce the levels of the competition within the market e.g. through takeovers or mergers