



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

**Class : MBA (E-Commerce) II Semester**

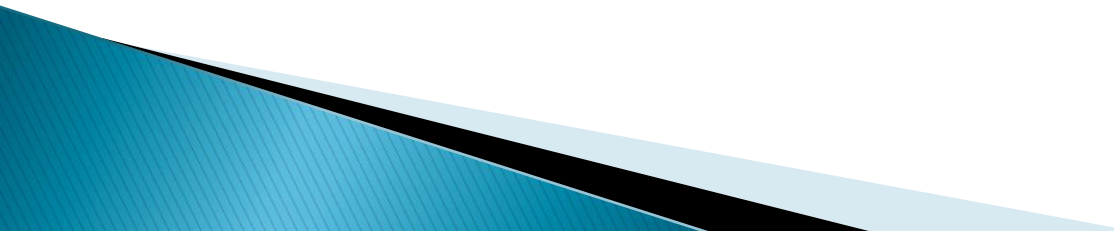
**Subjet: Managerial Economics**

**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

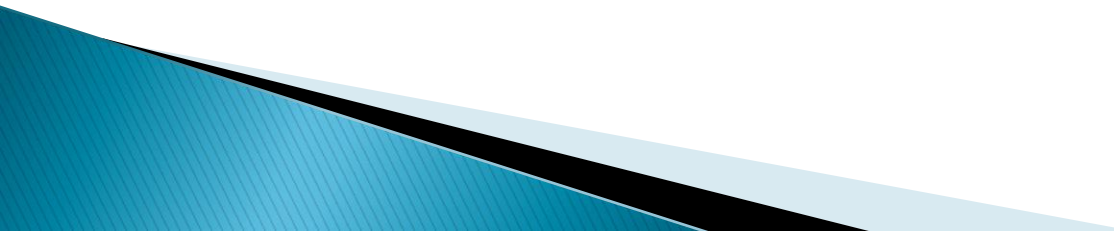
Prof. Marshal suggested, a mathematical method for measuring elasticity of demand.

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

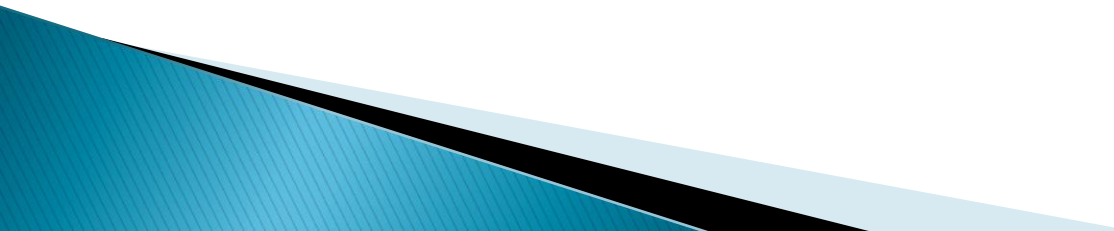
- ▶ The Elasticity of Demand is based on:
    - ▶ 1. Nature of commodity
    - ▶ 2. Extent of use
    - ▶ 3. Range of substitutes
    - ▶ 4. Income level
    - ▶ 5. Influence of price
    - ▶ 6. Urgency of demand
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# Kinds of Elasticity Measurement

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

# 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 ( $E < 1$ )

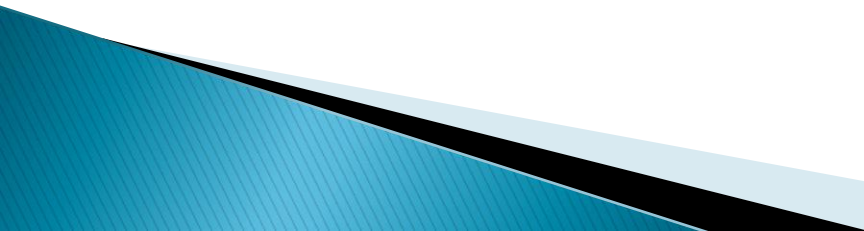
# Demand forecasting

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
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