Price Elasticity Worksheet

Understand when prices are flexible vs. sticky and use this to save money

Part A: Elasticity Concept

Price Elasticity of Demand: How sensitive is quantity demanded to price changes?

Elastic Demand (Price Sensitive)

Small price increase = Large decrease in quantity demanded

Examples: Luxury goods, goods with many substitutes, non-essentials

Implication: Sellers can't raise prices much without losing customers

Inelastic Demand (Price Insensitive)

Price increase = Small decrease in quantity demanded

Examples: Necessities, goods with few substitutes, addictive products

Implication: Sellers can raise prices without losing many customers

Why This Matters:

Elastic goods: Wait for sales, negotiate, find alternatives

Inelastic goods: You have less leverage; focus on reducing consumption

Part B: Classify Goods and Plan Purchases

Purchase	Elastic or Inelastic?	Reasoning	Money-Saving Strategy
Gasoline	Inelastic (short-term)	Need to get to work/school; few substitutes short-term	Reduce driving, carpool, buy fuel-efficient car long-term
Concert tickets	Elastic	Entertainment, many alternatives	Buy early, wait for resale market, attend less popular shows
Prescription medication	Inelastic	Medical necessity	Use generic, shop pharmacies, check insurance coverage
Smartphone	Select...	Your reasoning...	Your strategy...
College textbooks	Select...	Your reasoning...	Your strategy...
Apartment rent in {{STATE_NAME}}	Select...	Your reasoning...	Your strategy...
Restaurant meals	Select...	Your reasoning...	Your strategy...
Winter coat	Select...	Your reasoning...	Your strategy...
Electricity	Select...	Your reasoning...	Your strategy...
Streaming services	Select...	Your reasoning...	Your strategy...

Analysis

1. Which of your regular expenses are most elastic?

List elastic expenses...

Strategy: These are where you have the most negotiating power/flexibility

2. Which expenses are inelastic?

List inelastic expenses...

Strategy: Reduce quantity consumed, find long-term substitutes

3. Timing purchases of elastic goods

When is demand lowest? (Off-season, weekdays, end-of-month for cars, etc.)

Example: Winter coats are elastic - buy in spring when demand is low

Your example of timing a purchase for savings...

Part C: Real-World Application

Your Major Purchase

Purchase you're planning:

e.g., laptop, car, concert tickets, apartment

Elasticity Analysis

Is this good elastic or inelastic?

Select...

How many substitutes exist?

e.g., many, few, none

How urgently do you need it?

e.g., immediately, within a month, flexible

Supply and Demand Analysis

When is supply highest?

e.g., after new model release, end of season

When is demand lowest?

e.g., weekdays, off-season, January

Best time to buy:

Combine high supply + low demand timing

Price Negotiation Leverage

If elastic + high supply + low demand = Strong leverage
If inelastic + low supply + high demand = Weak leverage

Strong

Moderate

Weak

Action Plan

1. Optimal timing:

When will you make this purchase?

2. Negotiation strategy:

How will you negotiate or find the best price?

3. Alternatives if price too high:

What are your backup options?

4. Expected savings from good timing:

e.g., $50, $500, 10%

Key Takeaway: Knowing price sensitivity helps you identify where you have negotiating power. Buy elastic goods when supply is high and demand is low. For inelastic necessities, focus on reducing consumption or finding long-term alternatives.