Price Elasticity

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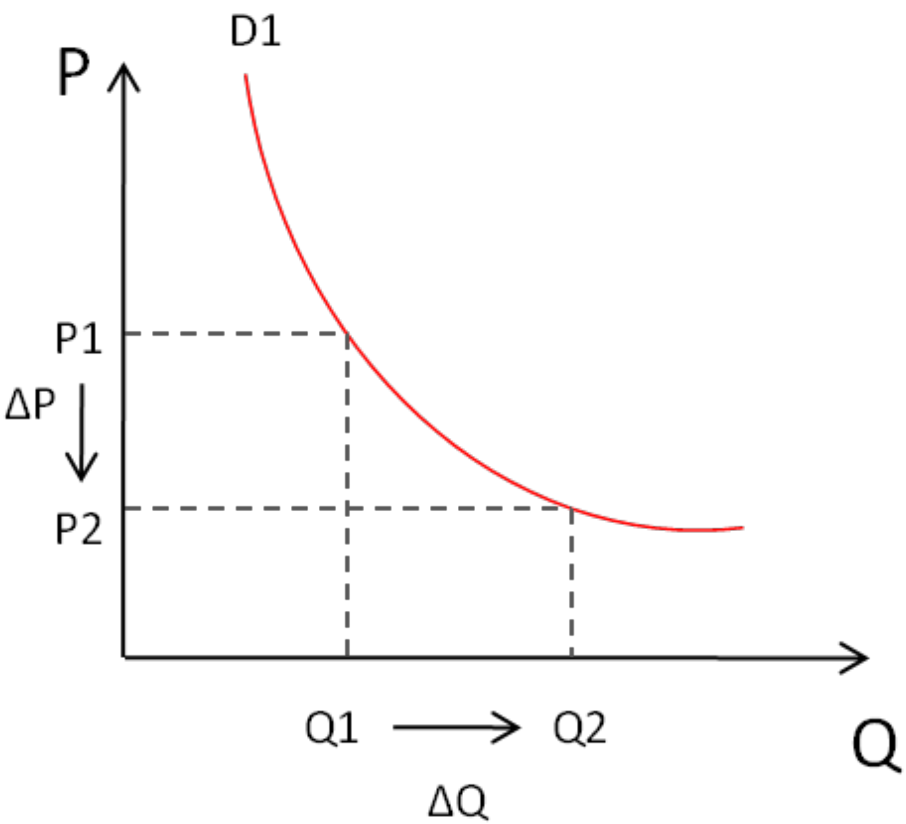

Price elasticity can be derived as the ratio of change in quantity demanded (%ΔQ) and percentage change in price (%ΔP).

PED = [Change in Sales/Change in Price] × [Price/Sales] = $(\Delta Q/\Delta P) \times (P/Q)$

Common Variables to Consider in Marketing Mix Models

Factor	Bias in Price Elasticity	Bias in Advertising Elasticity
Product quality	+	
Distribution	–	
Brand life cycle – early	+	
Absolute sales	+	
Time series	–	–
Include carryover		+