

Sample essay on economic

[Business](#), [Company](#)



Answer 1: Price Elasticity of demand is the responsiveness or sensitivity of demand for a particular commodity ascribed by a change in the price of such a commodity. It is a quantitative relationship between quantity demanded and price while the other factors are constant. If the elasticity has a higher numerical value, the effect of price change is greater on the quantity demanded. Some of the factors that affect the price elasticity or elasticity of demand are

- Nature of commodity: commodities like food grains and vegetables that are necessities have an inelastic demand as they are required for human survival. A luxury commodity like a DVD player relatively has a very elastic demand.

- Option and availability of substitutes: all products that have close substitutes have a very elastic demand in response to a given price change. For example a rise in the price of Coke encourages buyers to buy more of Pepsi. Commodities that do not have substitutes have an inelastic demand.

- Price Level: demand for inexpensive goods like match box is inelastic as a price change does not affect the consumer considerably. Expensive products like i-phone have an elastic demand as it requires a big share in total expenditure.

- Income level: countries that have a major population with a low income level have a very elastic demand, given a price variation. High income groups are not so affected by price changes.

- Type of Consumption: If the consumption cannot be postponed like life saving drugs then such products have an inelastic demand as price cannot deter its sale. When there is a considerable price increase for products like

cosmetics then the consumers postpone their purchases.

- Price elasticity of demand is affected by the time period. Shorter the time gap the inelastic the demand gets. Longer time duration allows buying patterns to change and increases price elasticity of demand.

Answer 2: The price elasticity of demand for Nike products is relatively inelastic as buyers continue to buy Nike despite increase and variation in the price of shoes. Nike is a leading sports brand which is known for its customized products for different sports and unending variety within a single sport. The brand is used by famous sportspersons world over. The quality of Nike products is excellent. Nike has become a habitual necessity for players and fitness inclined people. Buyers continue to purchase Nike shoes despite of increase in prices; making the demand inelastic. Nike's brand ambassadors like Michael Jordan and Ronaldo are sport champions that endorse Nike shoes. The brand has increased the perceived importance of Nike, which assures that consumers keep buying Nike even if it increases prices. It is using advertising to make Nike a must buy for aspiring sportspersons and managing on line sale to keep the volume going.

Answer 3: Nike uses advertising to get to its target segment. Its brand ambassadors like Ronaldo wear it while playing world matches; which is a strong personal statement in itself. All aspiring footballers and Ronaldo fans buy Nike. The buyers of Nike shoes are those who are willing to pay any price for Nike shoes as they are brand loyal. Nike does not offer standardized products and prices and creates a plethora of options in a particular segment. This does not give the buyer an opportunity to bargain or compare prices. Nike is an example of Veblen good.

Answer 4: The given case on the lobster market is of a paradox of poverty amidst plenty. The bumper catch of lobsters has brought low prices for the individual lobstermen. The supply of lobsters has increased and lobstermen are getting low prices for their catch. Lobsters have become more of a necessity now as eating patterns have changed. It used to be a luxury earlier.

The problem that the lobstermen are facing is that despite the decrease in lobster prices, the customer is not getting the benefit. The middlemen are making huge profits while the lobstermen and consumers stand to lose. The demand is relatively inelastic as buyers continue to buy despite the high price being charged. An individual lobsterman does not have a say in the prices being charged from the consumers. The price elasticity for his produce is inelastic and international trade is taking full advantage of the situation.

Works Cited

- Cendrowski, Scott. " Nike's new marketing mojo." February 13, 2012.

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