Managing Financial Resources

Business economics

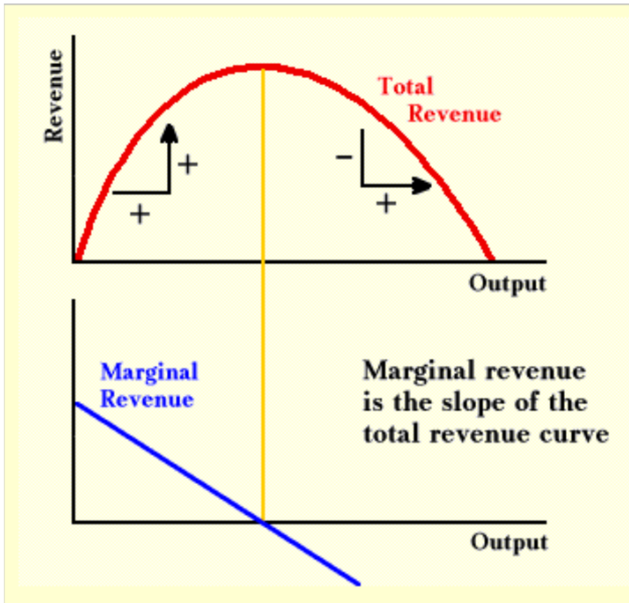
Consumer demand 2 (11)

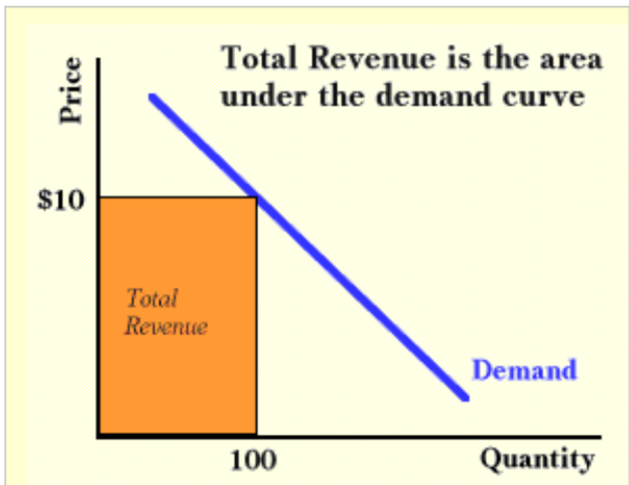
Patrick Galig / HB41 / Henley Business School

Consumer demand

- Relationship between price elasticity & sales revenue
  - Price inelastic demand (0-1)
    - Increase in price leads to less demand but more revenue
    - Decrease of price leads to more demand but less revenue
  - Price elastic demand (>1)
    - Increase in price leads to less demand and less revenue
    - Decrease of price leads to more demand and more revenue
- Marginal revenue

$$MR = \frac{\Delta TR}{\Delta Q}$$



- Average revenue

$$AR = \frac{TR}{Q}$$