

Users of the concept of elasticity of demand include:

1. **Businesses:** Companies use elasticity to set prices, determine the impact of price changes on sales, and make decisions about product development and marketing strategies.
2. **Governments:** Governments use elasticity to design and assess taxation policies, especially for goods like cigarettes and alcohol where demand elasticity can affect tax revenues and public health.
3. **Economists:** Economists study elasticity to understand consumer behavior, market dynamics, and the overall health of an economy.
4. **Investors:** Investors analyse elasticity to predict how changes in demand will affect the performance and profitability of companies, helping them make informed investment decisions.
5. **Consumers:** Consumers indirectly consider elasticity when making purchasing decisions. They may switch to substitutes if prices rise for certain products.
6. **Academics:** Academics and researchers use elasticity to conduct studies and contribute to economic theory and policy analysis.
7. **Marketing Professionals:** Marketers use elasticity to develop pricing strategies, promotions, and product positioning that maximize sales and revenue.
8. **Policy Makers:** Policymakers use elasticity to assess the impact of regulations, subsidies, or interventions in various industries.
9. **International Trade Specialists:** Professionals in international trade consider elasticity when analysing the effect of tariffs, trade agreements, and exchange rate fluctuations on imports and exports.
10. **Environmentalists:** Environmentalists study elasticity when evaluating the impact of policies related to energy consumption and environmental conservation.

So, elasticity of demand is a crucial concept utilized by a wide range of stakeholders to make informed decisions related to pricing, taxation, public policy, and market behavior.

How elasticity of demand concept is utilised in businesses

Elasticity of demand is a valuable concept for businesses in India, helping them make strategic decisions regarding pricing, production, and product development. Here are some examples of how Indian companies utilize this concept:

1. Pricing Strategies:

- **Airline Industry:** Airlines in India often use price elasticity to adjust ticket prices. During peak travel seasons, they may increase prices because demand remains relatively inelastic due to limited alternatives for certain routes.

2. Product Development:

- **Smartphone Manufacturers:** Smartphone companies in India analyse demand elasticity to design and introduce new models. They may create budget-friendly phones to cater to price-sensitive consumers and premium models for those with more price-inelastic demand.

3. Promotions and Discounts:

- **E-commerce Platforms:** Companies like Flipkart and Amazon use elasticity insights to determine when to offer discounts and promotions. They may offer steeper discounts on products with elastic demand to boost sales.

4. Taxation Impact:

- **Tobacco Companies:** Cigarette manufacturers monitor price elasticity closely because high elasticity means that tax hikes can lead to significant reductions in sales. Understanding this, they may lobby against steep tax increases.

5. Consumer Goods:

- **FMCG Companies:** Fast-moving consumer goods (FMCG) companies like Hindustan Unilever use elasticity to decide on pricing for various product lines. For instance, they may set lower prices for essential products like soap (inelastic demand) while experimenting with pricing for premium cosmetic items (elastic demand).

6. Food and Beverage Chains:

- **Fast-Food Chains:** Companies like McDonald's and Domino's consider elasticity when setting menu prices. They might offer value meals or combo deals to attract price-sensitive customers while keeping prices for popular items relatively inelastic.

7. Automotive Industry:

- **Car Manufacturers:** Car companies like Maruti Suzuki assess demand elasticity when launching new models. They may introduce lower-priced models to capture price-sensitive customers or luxury vehicles for those with inelastic demand.

8. Online Streaming Services:

- **OTT Platforms:** Companies like Netflix and Amazon Prime analyze demand elasticity to determine subscription pricing. They might increase subscription fees for inelastic demand segments while offering promotional pricing for price-sensitive customers.