

Economics 310
Required Research Paper

Professor Marcal

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Analysis of Demand Elasticity

Papers should be typed, double-spaced, with standard margins, and all sources fully cited. Please attach any referenced newspaper or magazine articles, and download any website materials used. Papers should be eight to ten pages in length (Times New Roman font, size 12, with numbered pages). Turn in a paper copy in class and email an electronic version.

Papers are due in class on Tuesday, December 8th.

This is a research paper to analyze the price elasticity of demand for a particular product at a particular retail location. Pick a product that interests you.

(For example, DeLonge Toaster Oven, Macy's, Northridge Fashion Center.) Identify the closest substitute products at the same location, and the same group of products at the nearest geographic stores (pick two to three stores). Get price information for all relevant products at all locations (of course, some products may not be available at some stores).

The paper should have four sections:

(1) Introduction: describe your research project.

(2) Relative Price Comparison: present the relative price information in a table with each row containing one product and each column containing one store location. Your product should be in the first row with substitute products in the remaining rows.

Note: if substitute products come in different sizes, be sure to make your price comparison per unit (e.g., price per gallon, price per ounce, etc.).

(3) Analysis: describe the quality characteristics of your product and compare them with the quality characteristics of the substitute products. Discuss how these quality differences may be reflected in price differences. You might also do some web search for price elasticity estimates for your product class.

Note: you will not actually calculate price elasticity of demand with your local data, as you are only collecting information on price and not on quantity sold at a particular price.

(4) Conclusion: summarize your findings with your conclusion about the price elasticity of demand for your product. Based on your conclusion, recommend a pricing policy for your product. Should the seller increase or decrease price? Explain why.