

1 percent change in price would have been accompanied by a 1 percent change in purchases—increasing by this amount if price decreased and decreasing if price increased. At test prices below this level, demand grew more elastic. That is, consumers became increasingly sensitive to price change as lower test prices were introduced. Changes in the rate of purchase were proportionally larger than changes in price. But at test prices above 12.5 cents per can, a 1 percent change in price resulted in less than a 1 percent change in the purchase rate—with the effect diminishing, the higher the price.

Because demand elasticity diminished as price rose, minimum revenue from concentrate sales theoretically should have occurred at the price associated with a demand elasticity of unity, i.e., at about 12.5 cents per can. However, since this price was not among those tested, minimum revenue was realized at the test price of 13.5 cents per can. This occurred because the elasticity figure linked with the price of 13.5 cents approximated unity more closely than did the elasticity related to other test prices. Hence, revenue obtained at the various test prices increased as these prices diverged from 13.5 cents in either direction.

The elastic character of the demand for concentrate in low price ranges suggests that it may not be in the interest of the concentrate industry to attempt to increase revenue during periods of long supply by reducing the quantity marketed. Perhaps more could be achieved by arranging cooperative promotional programs with the retail trade as a means of moving above-normal supplies. A desirable arrangement would require a pricing method in the promotional program mutually beneficial to both the concentrate industry and retailers. If retail handling cost per can declined moderately with the increased volume, an approximately constant percentage mark-up on selling price would appear to meet this requirement. Under these circumstances, net profit to the retail trade as well as gross revenue to the concentrate industry would be maintained.