

when the price of a product is relatively low, but rather insensitive to price changes when it is expensive. Or, they might react in an entirely different manner. This demand characteristic, which reflects consumer sensitivity to price change, is best measured in relative terms. Treated in this fashion, consumer response is expressed in terms of the percentage change in purchases associated with a 1 percent change in price. Since this relative measure is independent of the quantitative units involved, it has more general applicability in analyzing marketing problems.

The customer response to price changes was relatively small when frozen orange concentrate was sold at high prices. As successively lower prices were introduced, customer purchases reflected an increasingly larger response to price changes (Table 6). Customers were most sensitive to price changes at the lowest price interval of 8.5 to 10.5 cents per can. Within this interval, purchase rates changed approximately 1.55 percent with a 1 percent change in price.

TABLE 6.—CUSTOMER RESPONSE TO PRICE CHANGES FOR FROZEN ORANGE CONCENTRATE AT DIFFERENT PRICE LEVELS.

Price Interval	Percent Change in Purchases Associated with a 1 Percent Price Change *
16.5—20.5	.15
13.5—16.5	.59
10.5—13.5	1.06
8.5—10.5	1.55

* For purposes of representing the nature of the customer responses for the respective price intervals, elasticity was computed at the midpoint of each interval. Since elasticity changed rapidly over the range of prices tested, obviously, the midpoint estimates do not provide correct measures of the demand elasticity within such large price intervals. Demand elasticity would assume a number of values from one price level to the next.

The character of the demand for concentrate changed materially within the price interval of 10.5 to 13.5 cents per can. At price intervals above 13.5 cents the customer response to a price change was less than proportionate. (That is, a 1 percent price change resulted in a change in purchase rates of less than 1 percent.) On the other hand, at price intervals below 13.5 cents per can, changes in customer purchase rates were relatively larger than changes in prices. Consequently, at some point between the test prices of 10.5 and 13.5 cents, the demand for concentrate was of such nature that a change in the quantity pur-