

chased would have been exactly inversely proportional to a change in price. This point was estimated to be at a theoretical price of 12.35 cents per can. At all prices higher than this amount the demand for frozen orange concentrate was "inelastic". That is, price changes resulted in less than proportionate changes in customer purchase rates. Below 12.35 cents per can the demand was "elastic", or the customer purchase response to a price change was more than proportionate. Thus, according to information obtained in this study, the transition from a condition of elastic to inelastic demand (or the reverse) occurred at the pivotal price of about 12.5 cents per can.

The fact that customers are quite responsive to price changes at prices below 12 or 13 cents per can, and progressively less responsive to price changes as the selling price is increased above this general level, is of particular significance both to the concentrate industry and to retailing organizations. A relationship of this type suggests that, at prices below 12.5 cents, the market will absorb increasingly larger-than-normal stocks at a diminishing sacrifice in terms of price. On the other hand, short supply situations would be especially rewarding to the citrus industry, since consumers apparently are reluctant to cease purchasing a certain amount of concentrate even in the face of sharp price increases.

Revenue Aspects of Demand.—The concept of demand elasticity is important in the analysis of marketing problems because of its usefulness in predicting what will happen to revenue from the sale of a given commodity as prices and the quantities available to consumers vary. If it is known that, for a 1 percent increase or decrease in price, purchases will correspondingly decrease or increase by less than 1 percent (i.e., that the demand is inelastic), it follows that the total revenue will rise with price increases and fall with price decreases. On the other hand, if changes in purchases are proportionately larger than price changes, revenue will decline as prices rise and increase as prices fall.

The amount of money spent for frozen orange concentrate per 100 customers at the various test prices is shown in Figure 5. When the product was sold at prices progressively lower than 13.5 cents per can, total expenditures per 100 customers increased. In like manner, expenditures increased as prices successively higher than 13.5 cents per can were charged for the product.