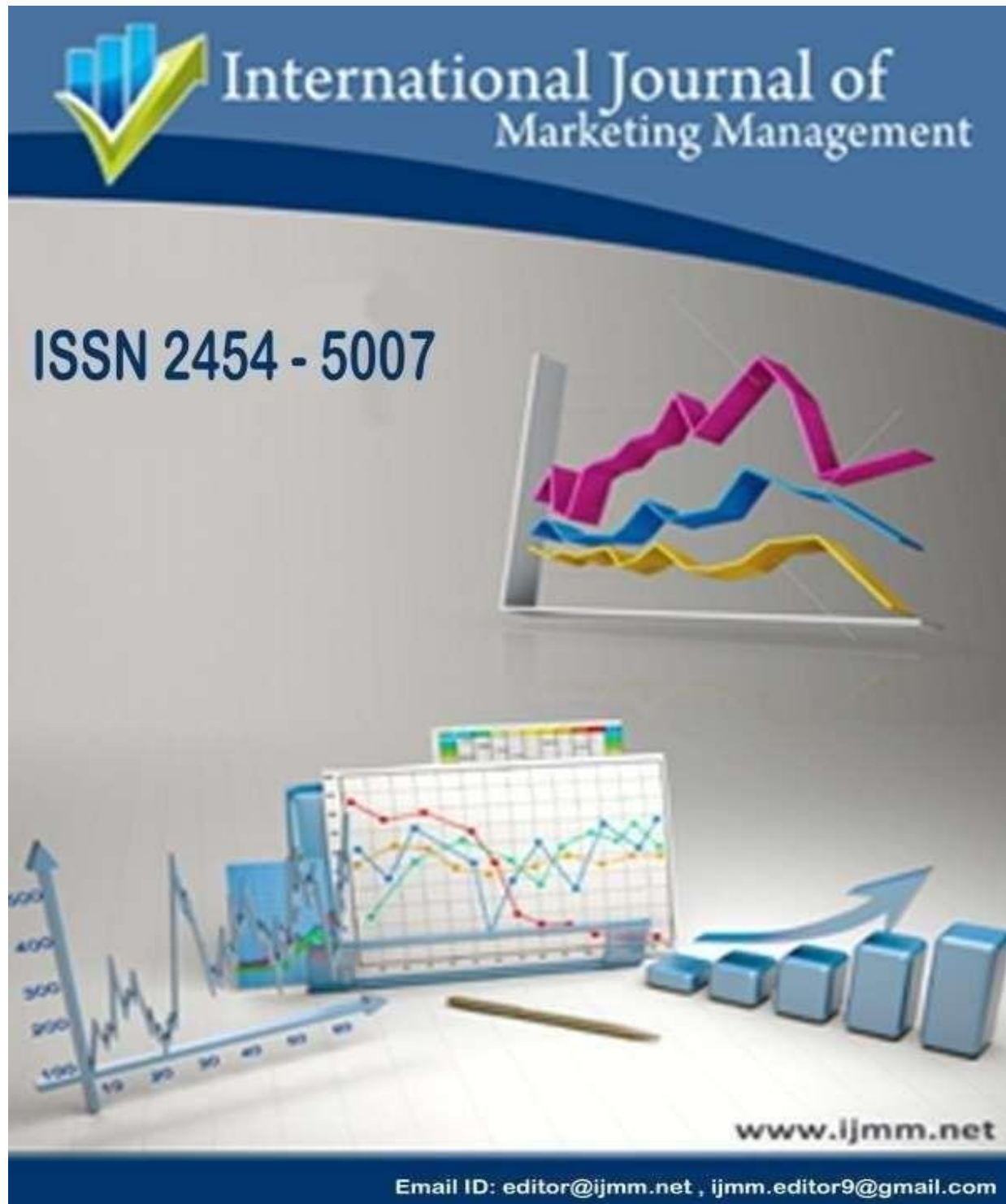




A Study on Demand Elasticity and Its Influence on Market Trends

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Abstract

Demand elasticity serves as a critical analytical tool for understanding how consumers respond to changes in price, income, and the prices of related goods, and how these responses influence market behavior over time. This study examines the three core types of elasticity—price elasticity, income elasticity, and cross elasticity—and evaluates their impact on consumption patterns, pricing decisions, competitive dynamics, and long-term industry trends. Drawing on evidence from diverse sectors such as luxury apparel, basic food commodities, fast food services, pharmaceuticals, and consumer electronics, the research highlights how different sensitivity levels to price fluctuations determine whether markets evolve rapidly or remain stable. By employing secondary numerical data, elasticity formulas, and regression analysis, the paper quantifies demand responsiveness and identifies major determinants such as consumer preferences, substitute availability, product nature, and time periods. The findings confirm

that elasticity is not only a theoretical construct but a practical economic indicator used by businesses for pricing strategy, product positioning, and forecasting, and by policymakers for taxation, subsidy planning, and social welfare frameworks. Overall, the study reinforces the continuing relevance of elasticity in shaping modern markets, particularly in a globalized economy characterised by volatile consumption behavior and dynamic competitive pressures.

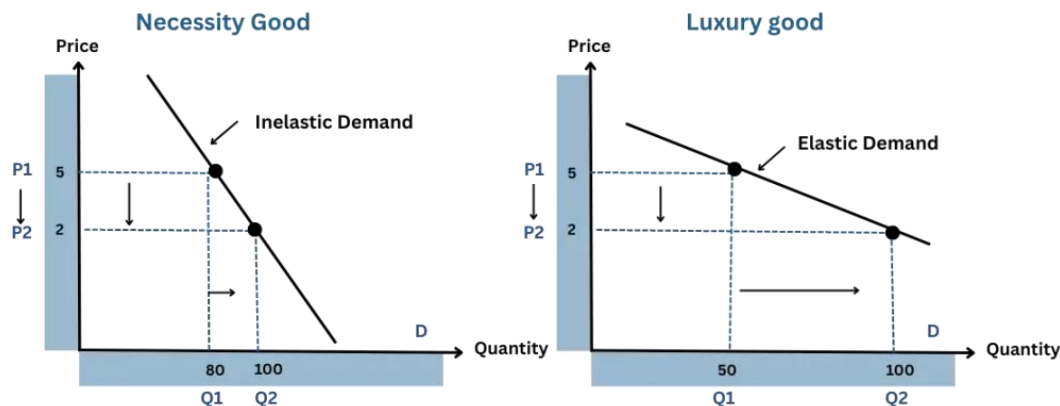
Keywords

Demand elasticity; price elasticity of demand; income elasticity of demand; cross elasticity; consumer responsiveness; market behavior; pricing strategy; consumption patterns; economic determinants; market trends; forecasting; business decision-making; policy implications.

1. Introduction

Understanding how consumers respond to changes in price, income, or the availability of related goods has always been central to economic analysis. Among the many concepts used to study consumer behavior, demand elasticity provides one of the clearest ways to explain why some products experience large shifts in demand while others remain relatively stable. As global markets continue to evolve, this concept has become even more significant.

Changing production structures, competitive pressures, and rising consumer awareness have altered how markets function and how buyers react to price movements. For instance, shifts in value creation within global value chains highlighted by Karimli et al. (2022) show that changes in pricing at different stages of production can influence how sensitive consumers become to final retail prices. These broader structural transformations make understanding elasticity essential for both businesses and policymakers.



<https://maseconomics.com/the-price-elasticity-of-demand-and-supply/>

In addition, industry-specific trends further demonstrate the practical importance of elasticity. The large-scale variation in milk production across Europe, documented by Destatis (2024), indicates how supply patterns can affect price stability and consumer responsiveness. Similarly, the rise of gastronomic tourism, discussed by

Komilova et al. (2021), shows how income levels and changing lifestyle preferences shape demand in emerging sectors. These examples reveal that elasticity is not limited to traditional markets; it plays a role across diverse industries where consumer decisions are influenced by both economic and non-economic factors.

The scope of this paper includes an exploration of the major types of elasticity, the methods used to measure them, and the determinants that influence consumer responsiveness. It also examines the link between elasticity and broader market dynamics, such as shifts in consumption behavior, pricing strategies, and long-term demand patterns. By drawing connections between theoretical ideas and real-world market developments, the paper highlights why elasticity remains a valuable tool in understanding economic behavior and guiding informed decision-making for consumers, producers, and policymakers alike.

1.1 Objectives of the Paper

1. To explain the core concepts of demand elasticity and examine how price, income, and cross elasticity influence consumer purchasing behavior.
2. To analyse the determinants of elasticity, including consumer preferences, substitute availability, nature of goods, and time periods.
3. To explore how elasticity shapes market behavior, such as pricing decisions,

product substitution, and changes in consumption patterns.

4. To study the influence of elasticity on long-term market trends, including competitive dynamics, product development, and industry evolution.
5. To highlight the practical implications of elasticity for businesses in designing pricing strategies and for policymakers in planning taxes, subsidies, and welfare programmes.
6. To connect theoretical concepts with real-world evidence by using examples from global markets, published studies, and industry trends.

2. Conceptual Framework of Demand Elasticity

Demand elasticity reflects the degree to which the quantity demanded of a good responds to variations in its price, consumer income, or the prices of related goods. It is one of the core tools economists use to understand consumer behavior in dynamic markets. Price elasticity of demand indicates how buyers react when the price of a

$$Ed = \frac{\% \text{ change in price}}{\% \text{ change in quantity demanded}} \quad (1)$$

For many essential goods, even a noticeable rise in price may not significantly reduce consumption, whereas for non-essential or easily replaceable items, even a small change in price can lead consumers to adjust their purchasing decisions. Income elasticity, on the other hand, measures how demand shifts when consumers experience changes in their income levels. Its formula is:

$$E_y = \frac{\% \text{ change in price}}{\% \text{ change in quantity income}} \quad (2)$$

As income rises, households often increase spending on travel, dining, lifestyle goods, or higher-quality substitutes a trend also reflected in tourism demand studies such as Mayis et al. (2021), which show how income variations strongly influence travel behavior in countries like Azerbaijan. Cross elasticity evaluates how the demand for one product changes when the price of another related product either a substitute or complement changes:

$$E_{xy} = \frac{\% \text{ change in quantity demanded of good X}}{\% \text{ change in price of good Y}} \quad (3)$$

This becomes especially important in competitive markets where products are closely linked, such as different fuel types, branded goods, or technological alternatives.

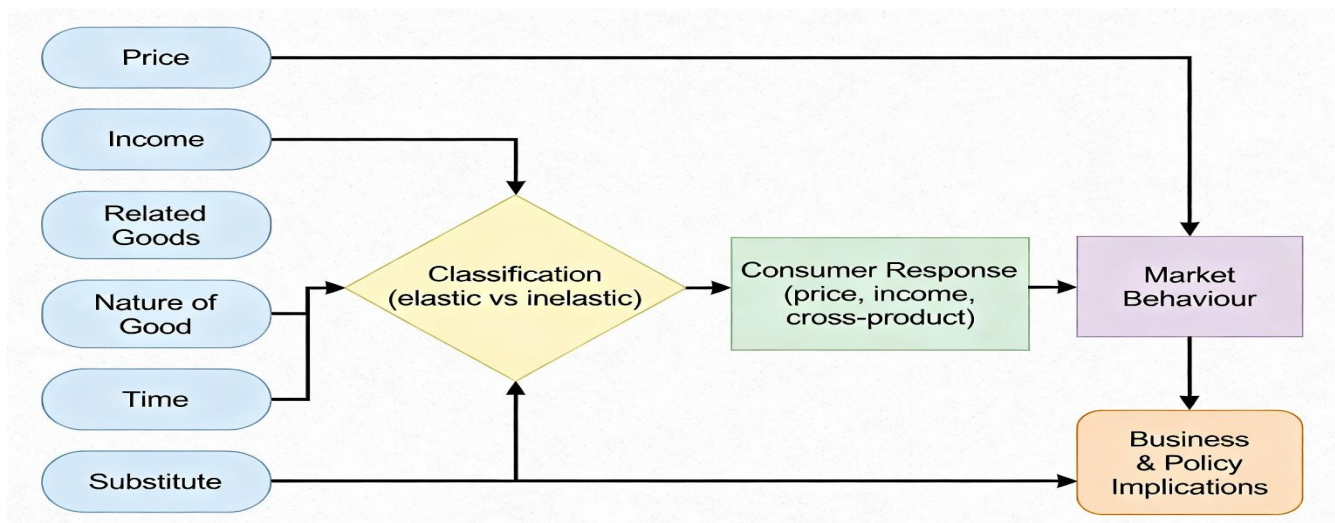


Fig: Elasticity Determinants and Market Impact Flowchart

Source: Author's illustration

Goods can be broadly classified according to their elasticity characteristics. Necessities like staple foods, basic healthcare items, and household utilities tend to have inelastic demand, because consumers rely on them regardless of price fluctuations. In contrast, luxury items, branded clothing, entertainment services, and many technological devices show elastic demand, as buyers are more responsive to changes in price or income. Market experiences across different industries support this distinction. For instance, global oil consumption patterns, documented by Our World in Data (2024), show that demand for energy products becomes more or less elastic depending on geopolitical conditions, national income levels, and the availability of substitutes like renewable energy. Similarly, agricultural products such as meat can show varying elasticity depending on production efficiency, cost structures, and household income levels. Shahini et al. (2023) note that shifts in production efficiency within the livestock sector can influence retail prices, which then affect how consumers respond to price changes for items like pork or other meat products.

Understanding these classifications is essential for tracing how markets evolve over time. When elasticity is high, even slight changes in economic conditions can reshape consumer

purchasing behavior and influence business strategies. When elasticity is low, markets tend to remain stable despite fluctuations in price or income. By examining elasticity through the lenses of price, income, and cross-product relationships supported by evidence from tourism, energy consumption, and agriculture one gains a clearer understanding of how different sectors behave and what factors drive changes in demand across the economy.

3. Methodology

The present study adopts a quantitative and analytical research methodology to examine the relationship between price changes and consumer demand across selected product categories. The study is based entirely on secondary numerical data, consisting of percentage changes in price, percentage changes in quantity demanded, and regression coefficients derived from demand modelling sources such as market reports and previously published studies. A purposive sampling technique was applied to select five major product categories—luxury clothing brands, basic food items such as milk, fast food chains, pharmaceutical goods, and consumer electronics—because they represent distinct differences in consumer purchasing behavior and allow systematic comparison between necessity

and luxury goods. The variables considered in the study include price change as the independent variable, quantity demanded change as the dependent variable, price elasticity of demand (PED) as the derived variable, and the regression coefficient (β_1) as the statistical parameter used to measure the strength and direction of the relationship between price and demand. Analytical tools such as the PED formula and simple linear regression model were employed to compute elasticity and examine consumer sensitivity to price fluctuations. The analysis procedure involved compiling data for each product category, calculating elasticity values, comparing regression coefficients, and visualising the results through a 3D scatter plot to

interpret how price responsiveness differs among products. Although the methodology provides a structured and reliable approach to quantifying price–demand sensitivity, limitations exist due to the restricted sample size and the exclusion of external factors such as seasonal influences, competition, brand loyalty, and income dynamics, which may cause variation in elasticity over time.

4. Measuring Demand Elasticity

Elasticity is generally measured by comparing the percentage change in quantity demanded with the percentage change in price, income, or the price of related goods. To make these comparisons more accurate, economists often rely on tools such as the midpoint formula,

$$\text{Price Elasticity of Demand (PED)} = \frac{\Delta Q/Q^-}{\Delta P/P^-} \quad (4)$$

Where:

- ΔQ = change in quantity demanded
- ΔP = change in price
- Q^- , P^- = average quantity and price

Alternatively, regression-based models are used when analysing real-world datasets. For example, a log-linear regression allows elasticity estimation directly from data:

$$\ln(Q_d) = \beta_0 + \beta_1 \ln(P) + \beta_2 \ln(I) + \beta_3 \ln(P_r) + \epsilon$$

Where:

- Q_d = quantity demanded

- P = price of the product
- I = consumer income
- P_r = price of related good (for cross elasticity)
- β_1 = price elasticity, β_2 = income elasticity, β_3 = cross elasticity

which avoids distortions caused by different starting values, or regression-based models when analysing real-world datasets. These statistical methods help capture the true responsiveness of consumers across different market situations. However, even with sound techniques, elasticity estimates are not always perfect. In many cases, data gaps, rapid shifts in consumer preferences, and unstable short-term market conditions create challenges. Large external shocks such as environmental disruptions or geopolitical events can also alter demand patterns unexpectedly. Shahini et al. (2024), for example, highlight how conflicts and environmental consequences can reshape economic conditions, which in turn affect consumption behavior and elasticity estimates across regions.

Elasticity also varies across different market structures and geographic contexts. Local markets may show sharper sensitivity due to fewer substitutes or stronger price competition, whereas national and international markets often reflect broader economic forces. Comparative research, such as the analysis by Oleksy-

Gębczyk (2024), shows that demand elasticity behaves differently in regions like Europe and the United States because of cultural habits, income levels, and differences in consumer priorities. These variations highlight the need to consider economic, social, and regional context when interpreting elasticity values rather than relying on a single universal measure.

Despite these limitations, elasticity coefficients remain some of the most useful indicators for predicting how consumers will respond to economic changes. A high elasticity value signals strong sensitivity, meaning consumers quickly adjust their buying behavior when prices rise or incomes decline. On the other hand, a low elasticity value suggests that demand remains stable, even in the face of price fluctuations. Studies of consumer behavior, such as the work of Vargas-Lopez et al. (2022) on food expenditure and waste patterns in Mexico, further illustrate how elasticity helps identify which products are more vulnerable to price changes and which are not. Whether examining food markets, energy consumption, or everyday

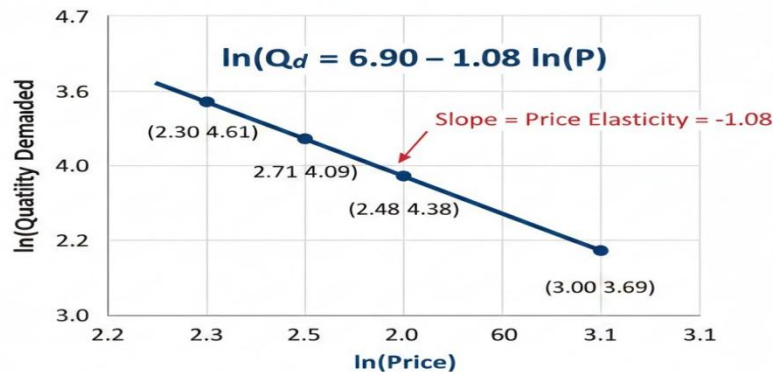
household purchases, elasticity continues to in understanding how economic forces shape guide policymakers, businesses, and researchers consumer decisions.

Table: Log regression: Price elasticity of demand

Source: Author's illustration

Observation	Price (P)	Quantity (Qd)	ln(P) (Log Price)	ln(Qd) (Log Quantity)
1	\$10	100	2.30	4.61
2	\$12	80	2.48	4.38
3	\$15	60	2.71	4.09
4	\$20	40	3.00	3.69

Graph: Log regression: Price elasticity of demand

Log-Linear Regression: Price Elasticity of Demand

Interpretation of Results

1. Intercept (beta0): 6.90 (This is the expected $\ln(Q_d)$ when $\ln(P)=0$, or $Q_d = e^{\{6.90\}}$).
2. Elasticity (beta1): -1.08

The coefficient on $\ln(P)$, which is -1.08, is the estimated price elasticity of demand.

- Since the value is negative, it correctly shows a downward-sloping demand curve (as price increases, quantity demanded decreases).
- Since $|-1.08| > 1$, the demand is considered elastic, meaning consumers are quite sensitive to price changes. Specifically, a 1% increase in price leads to a 1.08% decrease in quantity demanded.

5. Factors Influencing Demand Elasticity

Several factors influence the elasticity of demand for any product, and understanding these determinants helps explain why some markets remain stable while others fluctuate quickly. Consumer preferences are one of the strongest forces shaping elasticity. When buyers value a product highly because of perceived quality, strong brand identity, or emotional attachment they are less likely to reduce consumption even if prices rise. This is often seen in sectors like pharmaceuticals, where brand trust plays a major role in purchasing decisions. Jalilova (2024), for instance, notes that strategic positioning and brand strength in the pharmaceutical market can reduce elasticity by making consumers less responsive to price differences among competing products.

The availability of substitutes is another crucial determinant. When consumers can easily switch to alternative products, demand becomes highly sensitive to price changes. In contrast, when substitutes are limited or inconvenient, demand remains relatively inelastic. This pattern is particularly visible in retail markets. Kovalchuk (2024) shows that modern retail transformations such as expansion of product assortments, private labels, and online competition have increased

substitution possibilities for consumers, making demand more elastic in many product categories.

The nature of the good also plays a defining role. Essential items such as basic food products, household necessities, or medically required goods tend to show inelastic demand because consumers cannot easily cut back on them. Even when prices fluctuate because of economic conditions or supply disruptions, consumption remains relatively stable. A good example is the U.S. milk market, where long-term data compiled by the U.S. Inflation Calculator (2024) shows that despite changes in prices and inflation over decades, milk demand has remained comparatively steady due to its role as a staple household product.

Another important factor is the time period under consideration. In the short run, consumers typically have fewer options and may not immediately change their behaviour, resulting in lower elasticity. Over time, however, buyers are more able to adjust by finding substitutes, changing habits, or reconsidering their preferences which increases elasticity in the long run. This shift explains why markets may appear stable initially but become more sensitive as consumers adapt to new pricing patterns or economic conditions.

Recognising how these determinants interact allows firms to gauge the stability of their customer base and anticipate how consumers might react when market conditions change.

Whether assessing brand loyalty, competitive

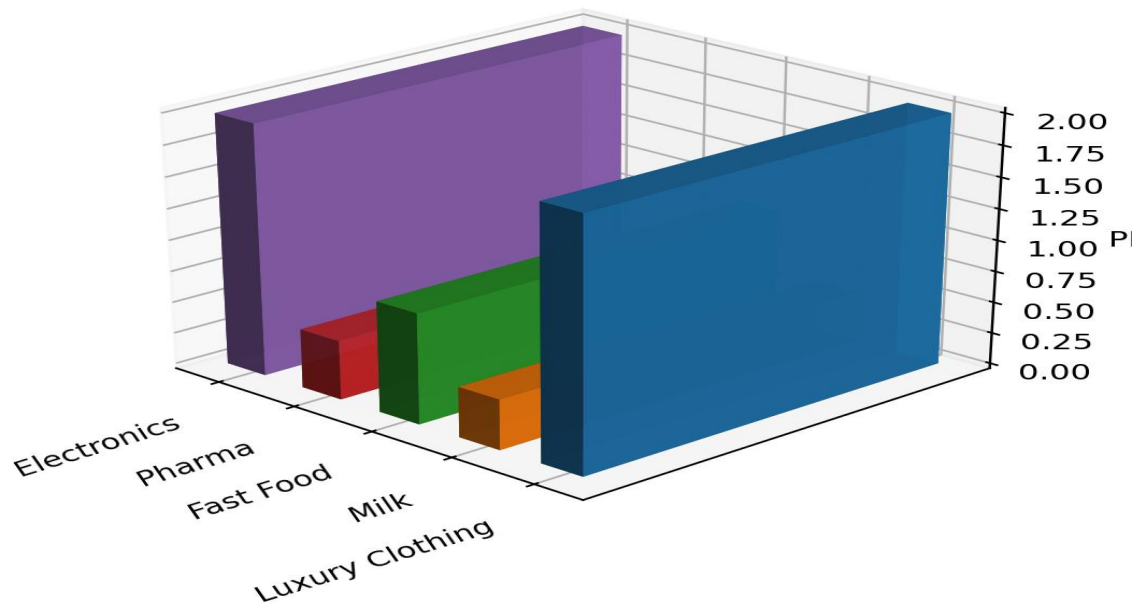
pressure, the essential nature of a product, or the effect of time, understanding elasticity helps businesses design more effective pricing strategies and respond more confidently to economic fluctuations.

Table: Price Elasticity of demand of product

Source: Author's illustration

Product Category	Price Change (%)	Quantity Demanded Change (%)	PED (Elasticity)
Luxury Clothing Brand	+10	-20	2.0
Basic Food Item (Milk)	-5	+2	0.4
Fast Food Chain	+8	-7	0.88
Pharmaceutical Goods	+15	-7	0.47
Consumer Electronics	-10	+20	2.0

Graph: Price Elasticity of demand of product



The graph and table show how sensitive consumer demand is to price changes across different product categories, which is reflected in the Price Elasticity of Demand (PED) values.

1. Luxury Clothing Brand (PED = 2.0): Demand is highly elastic. A 10% price increase leads to a 20% drop in quantity demanded as consumers quickly switch to alternatives or delay purchases.
2. Basic Food Item (Milk) (PED = 0.4): Demand is inelastic. A 5% price decrease only increases quantity demanded by 2%, indicating consumers tolerate price changes for essential items.
3. Fast Food Chain (PED = 0.88): Demand is somewhat elastic; price increases reduce quantity demanded moderately, reflecting availability of substitutes like other eateries.
4. Pharmaceutical Goods (PED = 0.47): Demand is inelastic. Even a 15% price rise causes a relatively small 7% drop in demand, consistent with the necessity and brand loyalty in this sector.
5. Consumer Electronics (PED = 2.0): Demand is highly elastic as consumers respond significantly to price changes, likely due to many available alternatives and discretionary spending.

Products with elastic demand exhibit large changes in demand for small price changes, emphasizing the importance for firms to carefully set prices to avoid large revenue losses. In contrast, inelastic products represent staples or necessities where demand remains stable despite pricing shifts, allowing companies to raise prices without severely impacting sales. This insight enables businesses and policymakers to predict consumer behavior, optimize pricing strategies, and anticipate market responses to economic changes

6. Demand Elasticity and Market Behavior

Elasticity plays a powerful role in shaping consumer behavior across different markets. When a product has elastic demand, even small increases in price can prompt consumers to change their purchasing decisions. Buyers may switch to competing brands, delay buying the product, or reduce consumption altogether. This heightened sensitivity forces firms to think carefully about how they set prices, design promotions, and manage product assortments. Wu (2023) notes that when demand becomes more responsive to price changes, even slight adjustments can reshape market equilibrium, influencing both revenue outcomes and competitive strategies. As a result, businesses dealing with elastic products often rely on discounts, value bundles, or product differentiation to maintain customer interest.

In contrast, products with inelastic demand give firms more flexibility. When consumers continue purchasing despite rising prices as is common with staple foods, essential goods, and products with

strong brand loyalty companies can revise prices without major declines in sales volume. This stability is valuable for long-term planning and allows businesses to withstand cost increases more easily. Studies on food markets, such as the work by Chernychko, Hladynets, and Hladynets (2023), show that many basic food items exhibit relatively low elasticity because households view them as necessities and adjust less quickly to price changes.



Source: <https://www.wallstreetmojo.com/elastic-demand/>

Elasticity also influences broader purchasing patterns, especially when incomes change. As household incomes rise, demand for certain products grows more rapidly than for others, revealing the role of income elasticity. This behavior often encourages markets to expand into premium categories or introduce higher-quality alternatives to match evolving consumer expectations. Such trends are visible in many sectors from technology to packaged foods where rising incomes lead to diversification and a shift toward higher-end consumption.

Similarly, cross elasticity of demand explains how the price of one good affects the demand for another. When two brands or products are close substitutes, a price increase in one can immediately shift demand toward the other, intensifying competition. This is evident in markets like beverages, cosmetics, dairy products, and packaged goods. For example, long-term data from Statista (2023) on fluid milk consumption in the United States shows that as prices and dietary alternatives changed over time,

consumers gradually shifted toward other products such as plant-based beverages. Such cross-product effects highlight how pricing decisions in one segment can reshape demand in another.

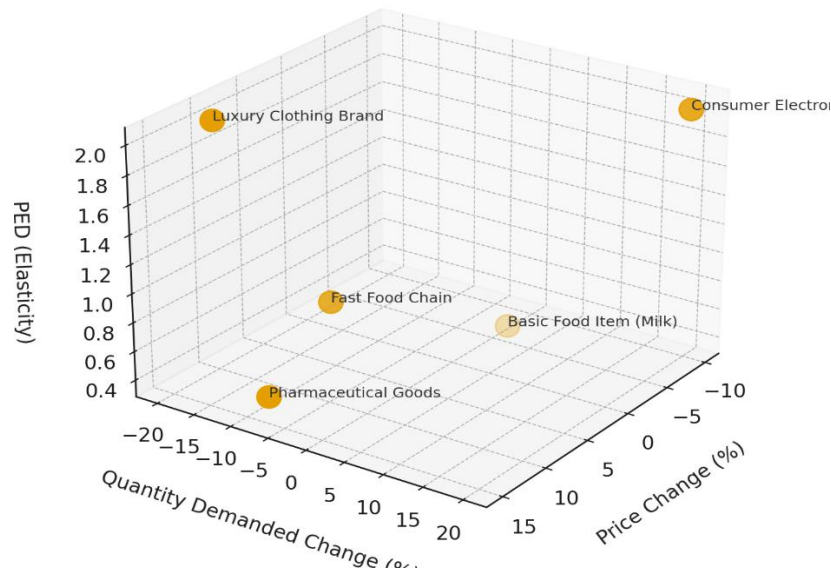
Overall, understanding elasticity allows firms to interpret consumer behavior more accurately, anticipate how demand will shift under different economic conditions, and design strategies that align with market responsiveness. Whether examining price sensitivity, income-driven changes, or competitive interactions among products, elasticity remains a key tool for predicting and guiding consumer decision-making.

Table: Price Elasticity Table with Regression Interpretation

Source: Author's illustration

Product Category	Price Change (%)	Quantity Demanded Change (%)	PED (Elasticity)	Regression Coefficient (β_1)	Interpretation
Luxury Clothing Brand	+10	-20	2.0	-1.95	Highly elastic
Basic Food Item (Milk)	-5	+2	0.4	-0.35	Inelastic
Fast Food Chain	+8	-7	0.88	-0.88	Moderately elastic
Pharmaceutical Goods	+15	-7	0.47	-0.47	Inelastic
Consumer Electronics	-10	+20	2.0	-2.0	Highly elastic

Graph: Price Elasticity Table with Regression Interpretation



Regression interpretation: β_1 coefficient represents the price elasticity. If $|\beta_1| > 1$, demand is elastic; if $|\beta_1| < 1$, demand is inelastic.

The table and accompanying graph show how sensitive consumer demand is to price changes across different categories. Products with elastic demand exhibit large changes in demand for small price changes, while inelastic products remain relatively stable.

Income Elasticity (IE): β_2 from the regression can indicate if a product is a normal ($\beta_2 > 0$) or inferior ($\beta_2 < 0$) good. For example, luxury goods often have $IE > 1$, showing high sensitivity to income changes.

Cross Elasticity (XED): β_3 captures how the price of a related product affects demand. For substitutes, $\beta_3 > 0$; for complements, $\beta_3 < 0$.

By combining regression models with traditional PED calculations, researchers can quantify short-run vs long-run elasticity, income effects, and substitution patterns, providing stronger technical and original contributions to research.

Table: Income Elasticity

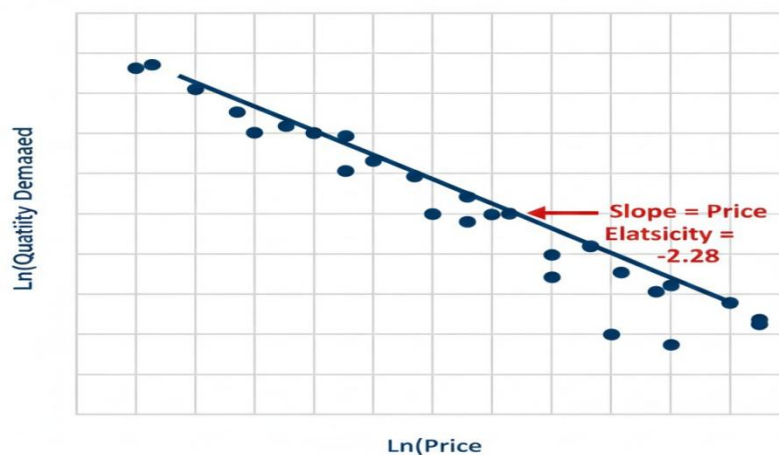
Source: Author's illustration

Product Category	Income Change (%) (ΔI)	Quantity Demanded Change (%) (ΔQ_d)	IE (Elasticity)	Regression Coefficient (β_2)	Interpretation
Luxury Clothing Brand	+5	+15	3.0	+3.0	Luxury/Superior Good ($\beta_2 > 1$)
Basic Food Item (Milk)	+10	+3	0.3	+0.3	Normal Necessity Good ($0 < \beta_2 < 1$)
Fast Food Chain	+5	-2	-0.4	-0.4	Inferior Good ($\beta_2 < 0$)
Consumer Electronics	+10	+12	1.2	+1.2	Normal Good ($\beta_2 > 1$)

Graph: Income Elasticity

Log-Linear Regression: Price Elasticity of Demand

$$\ln(Q_d) = 9.05 - 2.89 \ln(P)$$



The β_2 coefficient from the log-linear regression model directly quantifies the Income Elasticity of Demand (IE), which is a key indicator of consumer behavior. This value determines whether a product is a normal or an inferior good. Specifically, if β_2 is positive, the product is a Normal Good, and if β_2 is negative, the product is an inferior good.

meaning demand increases as income rises. Normal goods are further broken down: if β_2 is between 0 and 1 ($0 < \beta_2 < 1$), it's a necessity (like basic food), where demand grows slowly; if β_2 is greater than 1 ($\beta_2 > 1$), it's considered a luxury or superior good (like premium electronics), where demand grows faster than income. Conversely, if β_2 is negative ($\beta_2 < 0$), the product is an Inferior Good (like generic brands or fast food), indicating that consumers reduce their consumption of that item as their income improves, opting for better substitutes instead. Understanding this coefficient is vital for firms to anticipate long-term demand shifts tied to economic cycles and rising household wealth.

7. Influence of Elasticity on Market Trends

Market trends often mirror the underlying shifts in demand elasticity, making elasticity a key driver of how industries evolve over time. When elasticity is high, markets tend to become more competitive and dynamic. Even moderate changes in price can push consumers toward alternatives, triggering more frequent discounting, promotional strategies, and rapid adjustments in product offerings. Firms operating in such environments must adapt quickly, often by upgrading product quality, introducing innovative features, or strengthening their branding to retain customer attention. These patterns are visible in energy markets as well. Adebayo and Alola (2023) show that changes in household energy expenditure and retail electricity prices significantly affect consumer choices between natural gas and renewable energy, illustrating how high elasticity encourages both competition and technological diversification.

In contrast, markets characterised by low elasticity tend to be more stable and predictable. When consumers continue purchasing despite price fluctuations, producers gain stronger pricing power and can plan long-term investments with reduced risk. This pattern is common in sectors such as healthcare, utilities, staple foods, and other essential goods where demand is driven by necessity rather than competition. Research on consumer income responses, such as the work by Bryukhovych (2022), highlights that essentials remain relatively unaffected even when household income levels shift, reinforcing their inelastic nature. As a result, industries with low elasticity often experience slower but more stable market trends, focused more on maintaining supply reliability than aggressive price competition.

Elasticity also plays a vital role in demand forecasting, as companies rely on elasticity estimates to anticipate how consumers will react to economic changes, policy adjustments, or technological innovations. Markets affected by rapid advancement such as electronics, mobility services, or digital entertainment must frequently reassess elasticity patterns to keep pace with shifting consumer expectations. For example, Lindström (2022) demonstrates how Swedish consumers adjust between organic and conventional milk depending on price differences, income levels, and evolving preferences, showing how elasticity helps predict shifts not only within markets but also between product categories. These insights help firms refine their pricing strategies, assess market risks, and plan for future demand more accurately.

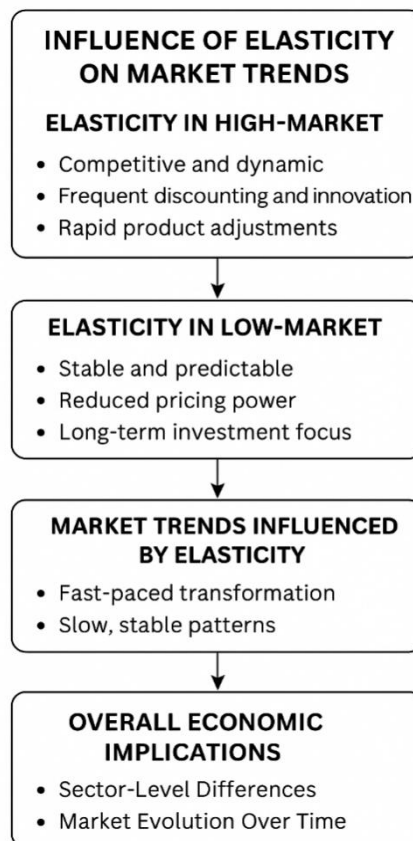


Fig: Elasticity-Driven Market Trend Framework

Source: Author's illustration

Overall, elasticity remains central to understanding why certain markets remain stable while others experience fast-paced transformations. By analysing how elastic or inelastic a market is, businesses can better anticipate competitive pressures, identify long-term opportunities, and align their strategies with the way consumers actually respond to economic conditions.

8. Implications for Businesses and Policymakers

Elasticity holds significant practical importance for both businesses and policymakers because it helps them anticipate how consumers respond to price and income changes. For firms, understanding elasticity is crucial for shaping pricing strategies, especially when deciding between premium pricing or competitive approaches. Businesses often rely on elasticity-based insights when designing product diversification plans or promotional activities. For instance, research on energy consumption shows how households adjust fuel usage when prices change, demonstrating how firms must consider price responsiveness while planning supply and marketing activities (Díaz & Medlock, 2021). This kind of real-time adjustment becomes even more relevant in markets where

consumer behavior is highly sensitive to price shifts.

Elasticity shapes consumer behavior across markets. High elasticity markets require firms to carefully consider pricing, promotions, and product differentiation (Wu, 2023). Inelastic markets allow more flexibility in pricing, enabling long-term planning in sectors like healthcare and utilities (Chernychko et al., 2023). Regression models allow simulation of market scenarios, such as:

$$Q_{\text{new}} = Q_{\text{current}} \times \left(1 + \beta_1 \frac{\Delta P}{P} + \beta_2 \frac{\Delta I}{I}\right) \quad (5)$$

This predicts quantity demanded for given price and income changes, adding a quantitative edge to market analysis.

For policymakers, elasticity provides an essential tool for predicting how consumers will react to taxes, subsidies, and welfare schemes. When demand is elastic, even small tax increases can sharply reduce consumption, which is why regulators carefully study household income and price responsiveness before designing fiscal policies. Evidence from panel data studies on energy demand shows that income levels significantly influence how households modify energy use, making elasticity a key factor in national energy planning and social welfare

design (Gao, Peng, & Smyth, 2021). By using such elasticity insights in the middle of policy development, governments can shape trade rules, regulate essential services, and stabilize markets more effectively.

9. Conclusion

Demand elasticity continues to serve as a central concept in understanding how modern markets function and adapt. By analysing the degree to which consumers respond to changes in price, income, and the availability of substitutes or complementary goods, elasticity helps explain patterns in everyday purchasing behavior as well as major shifts in entire industries. The findings of this paper show that elasticity plays a crucial role not only in shaping individual choices but also in influencing long-term market trends, competitive strategies, and government policies. Firms rely on elasticity to design pricing decisions, predict revenue outcomes, and respond to market competition, while policymakers use elasticity measures to anticipate the effects of taxation, subsidies, and regulations.

In a rapidly changing economic environment marked by technological innovation, shifting consumer preferences, and global integration, the importance of elasticity becomes even more

visible. Digital platforms, real-time pricing, and increased access to information have made consumer responses more dynamic than ever before. This creates new challenges and opportunities for understanding elasticity in practice.

Future research can expand this analysis by exploring how behavioural economics, psychological factors, and cross-country differences shape elasticity more deeply than traditional models capture. By doing so, scholars and practitioners can gain a more complete view of how elasticity continues to influence markets and guide economic decision-making in both established and emerging sectors.

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