

# Price Elasticity of Demand Scenario Worksheet

1	<p>Sarah, the owner of a boutique bakery named 'Sarah's Sweets,' decides to make some strategic changes to her business model. With an estimated PED for her specialty pastries at -2.5, and an average selling price of £5 per pastry, Sarah contemplates two alterations:</p> <ol style="list-style-type: none"><li>1. She plans to introduce a loyalty program offering a 10% discount to repeat customers.</li><li>2. Sarah also considers relocating her bakery to a more upscale neighbourhood, which would increase her fixed costs by 15%.</li></ol> <p>Given the following additional information:</p> <ul style="list-style-type: none"><li>• Last year's pastry sales volume: 500</li><li>• Fixed Costs prior to relocation: £950</li><li>• Variable costs per pastry: £2.25</li></ul> <p>Calculate the percentage change on Sarah's profits if she implements both the loyalty program and relocates her bakery.</p>
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**Your workings:**

2	<p>Olivia, the proprietor of a boutique bookstore named "Olivia's Classics," is contemplating adjusting the pricing strategy for her vintage book collection. With an estimated PED for her rare editions at -0.6, and an average selling price of £200 per book, Olivia ponders increasing the price to £240 per book.</p> <p>Given the following details:</p> <ul style="list-style-type: none"><li>• Total book sales last year: 400</li><li>• Fixed Costs: £12,000</li><li>• Variable Costs per book: £50</li></ul> <p>Calculate the percentage increase in Olivia's yearly profit if she decides to raise the price of her vintage books.</p>
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**Your workings:**