Category

Commercial Excellence

Price Elasticity, Sensitivity & Scenario Modeling Playbook

Modeling price changes against real elasticity data, not intuition about what customers will tolerate

- Executive
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- Administrator
- 25 March 2019
- 3 minute(s)

Overview

A framework for price elasticity, sensitivity, and scenario modeling — grounding pricing decisions in genuine elasticity data specific to your business and customer segments, rather than intuitive assumptions about customer price tolerance that frequently don't hold up against actual market response.

Is price elasticity roughly similar across different customer

segments and products within the same business? Not typically — elasticity often varies meaningfully across segments, products, and price points, meaning a single assumed elasticity applied uniformly can misrepresent actual customer price sensitivity for specific segments, producing suboptimal pricing decisions.

What's the most reliable way to estimate genuine price elasticity

for a specific business? Controlled price testing where feasible, or careful analysis of historical price changes and their actual demand impact — both provide more reliable elasticity estimates than intuitive assumption about what customers will tolerate.

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