

1. The existence of close substitutes.

If close substitutes exist, generally the quantity response to a price change is greater, so the absolute value of PED is greater.

2. The passage of time.

It takes time for people to change their habits in response to a price change. So, the longer the time since the price change, the greater the absolute value for PED.

3. The proportion of income spent on the good.

If the proportion is great, generally the absolute value of PED is greater than if the proportion is small. For instance, if producers doubled the price of matches, it would be unlikely to affect the quantity

of matches sold, but a doubling in car prices would likely have a big effect on the number of cars sold.

4. Addiction, degree of necessity, or habit.

Things like a morning coffee, cigarettes, medicine or a daily paper may be so much a part of a person's needs and daily routine that they will not respond to a change in price, so the absolute value of PED will be small.

5. Branding and advertising.

The point of advertising and branding is to render the advertised product unique, ie to make us think that it does not have any close substitutes. Thus, advertising generally reduces the absolute value of a good's PED.