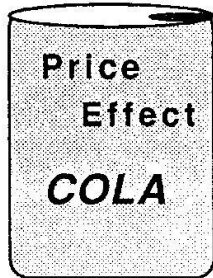


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**BUILDING THINKING SKILLS**



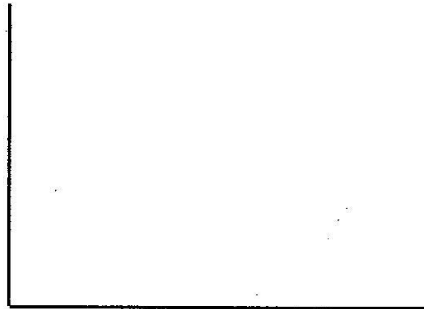
How important is brand loyalty to consumers when they purchase soft drinks? According to market research conducted for *The Wall Street Journal*, brand loyalty isn't very important. Says *The Wall Street Journal*, "Whether they will buy ... depends a lot on price, which may be more important than taste in determining purchases." (Trish Hall, *The Wall Street Journal*, May 13, 1985, p. 21.)

1. If consumers have greater brand loyalty for Brand A than for Brand B, would that make the price elasticity of demand greater or less for Brand A? Briefly explain.

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2. By using the following axes, draw a demand curve for Brand A and for Brand B. (You don't have to use specific numbers. Just sketch the curves, or lines, label the axes, and make sure the slopes are correct.) Assume that consumers have much brand loyalty for Brand A but not much for Brand B.



3. If you were a seller of Brand A, would you want a more elastic or inelastic demand curve? Why?

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