

Factors Affecting Elasticity of Demand

- **Availability of substitutes**
 - Many substitutes means that demand will be more elastic
 - Not many substitutes means that demand will be more inelastic

- **Necessity vs. Luxury item/service**
 - Luxury items - more elastic
 - Necessity items - more inelastic

- **Time horizon**
 - Want the good or service NOW?- more inelastic
 - Consumers have a longer time frame to adjust to price changes - more elastic

- **Share of consumer's budget spent on the good/service**
 - If a large portion of someone's income spent on good or service - more elastic
 - Smaller portion of someone's income spent on good or service - more inelastic