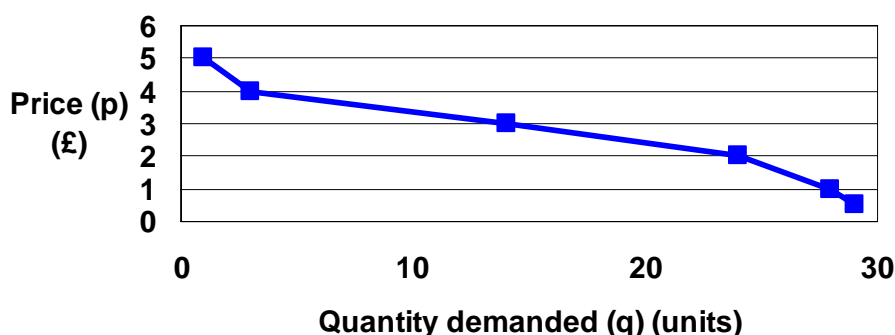


## Exploring the Demand Schedule

You can carry out a simple experiment to determine a demand schedule by selecting a small value product, a box of chocolates to the value of £4-6 is ideal, and offer to sell it to your friends. Ask them the question “how much would you be prepared to pay for my box of chocolates?” Between 20 and 40 people would be best for this exercise. If you do this in a group situation then every participant must independently select the price they are willing to pay without conferring or discussion. Then ask everyone what they will be willing to pay and record their answers in a price table, as shown below for a typical experiment with 28 friends involved. All prices between for example £5.00 and £5.99 should be counted in the table as £5.

Price your friends are prepared to pay (£)	Number of friends who were prepared to pay the price	Demand schedule
10	0	0
9	0	0
8	0	0
7	0	0
6	0	0
5	1	1
4	2	3
3	11	14
2	10	24
1	4	28

The demand schedule starts from the highest price moving down the price levels one at a time. Above, the highest price a friend was prepared to pay for the chocolates was £5.20 so this results in a quantity of 1 at the £5 level in the demand schedule. Two friends were prepared to pay £4.99 and £4.50. However, the friend who was prepared to pay £5.20 would presumably also be happy to pay £4, so a quantity of 1 + 2 = 3 will be at the £4 level in the demand schedule. The extra friends are added to the demand schedule as they become prepared to pay the price level. The demand schedule result is plotted below and shows a generally downwardly sloping curve, albeit a rather wobbly one due to the low number of data points used.



A nice gesture is to give the box of chocolates to the friend who was prepared to offer the highest price, but of course don't tell them you are going to do this in advance!