

# Total monetary sales



Your accountant informs you that a product line's nominal sales in an important market are rising, real sales are falling and you are losing market share, but net marketing contribution is stable. Prepare a brief analysis of these data, including any further information you would find useful in your report. Assuming real sales decline as a result of decline in total sales volume.

Response In an important market where nominal sales have been increasing while real sales decreasing simultaneously, it becomes evident that the market prices of goods sold are high that results in overall greater contribution in total monetary sales (or nominal sales). However, the higher prices have resulted in sales decline in terms of volume; therefore, the real sales have decreased as an outcome. In other words, the company is losing its market share. Using given information, it should be highlighted that the product line has relatively inelastic demand; therefore, the increase in prices leads to less than proportional decrease in demand. Also, it should be argued that the net marketing contribution is stable because price hikes also raise company's profit margin, which then enable the firm to assimilate losses from decrease in sales volume. Nevertheless, the firm has increased product's market price due to surge in costs of doing business and subsequently the inflation. However, the cost structure and pricing strategy should be brought in-line because there is reasonable room to reduce market prices. For instance, it would be better to use competitive pricing strategy, after analyzing prices of substitute products, to tempt maximum customers towards company's market offerings. In this way, the rationalization of market prices will help enhancing sales volume and consequently the market share. This may probably lead to increase in marketing contribution if demand increases by more than proportional decrease in prices.