MARGIN ADVANTAGE
(Market Driver)

- What is your gross margin?
- How is it in relation to your competition?
- What will the market stand?

Understanding your margin can tell you more than how efficiently you make money on the products or services you sell. Yes, theoretically the greater your margin the more valuable your business and it's an enviable position to be in when it comes to knowing your enterprise value. But to get the full story of what your margin can tell you, you need to do a bit of research.

Are your margins too high or too low? Either one can hurt you. So start an analysis by asking yourself two questions:

1. What is the average competitive margin?
   Having a higher margin than the competition keeps you in good standing when asking for an investment or at the time of transition. It also is a benchmark for your own company profits. In some respects, knowing this can be just as important, if not more so, than knowing our top line revenue. You might have a full sales pipeline, but are you making money?
2. What will the market bear?
   This, obviously, can tell you how much you can charge and still make sales if your are truly comparing apples to apples. But if you've hit that ceiling and are not making a strong margin, it will tell you that you need to cut costs somewhere in your supply chain or operations.

GOAL: *To know four things, which are indicators of the operational efficiency of your business:*

- *Quantifiable Advantage: Your company's gross and net margins are consistently above the industry norm.*
- *Margin Trends: You can provide a history by quarter and trend analysis of both gross and net margins.*
- *Margin Improvement Process: You have a documented, rigorous process in place to constantly improve margins.*
- *Margin Advantage: You have projections of your company's future margin advantage, and can defend these projections.*