

DAY 4 OF 5 — FINANCIAL INTELLIGENCE SERIES

Busy Isn't Profitable.

Discover what percentage of your revenue is destroying your margin and where the profit is hiding.

HOW TO INTERPRET YOUR MARGIN OF SAFETY

Above 25%: Strong. Your business can absorb a significant revenue reduction without going into loss. Focus on growth and investment.

15–25%: Comfortable. One difficult quarter could be absorbed, but two consecutive bad quarters would put you into loss. Review pricing and mix.

5–15%: Thin. A single large customer pausing, a cost spike, or one bad month can tip you into loss. Margin improvement is the priority.

Below 5%: Critical. This is David's position. Any meaningful disruption produces a loss. Immediate structural action on pricing and product mix is required.

Apply it to your business - Your margin diagnostic

Start with these five questions. Each one gives you a piece of the picture. Together, they tell you where your hidden profit is and what is preventing you from claiming it.

STEP 1 - YOUR MARGIN STACK

Revenue (last 12 months):

£ _____

Cost of Goods Sold / Direct Costs:

£ _____

Gross Profit:

£ _____

Gross Margin % (Gross Profit ÷ Revenue × 100):	_____ %
Net Profit:	£ _____
Net Margin % (Net Profit ÷ Revenue × 100):	_____ %

STEP 2 - YOUR BREAK-EVEN AND SAFETY MARGIN

Annual Fixed / Operating Costs:	£ _____
Break-Even Revenue (Fixed Costs ÷ Gross Margin %):	£ _____
Margin of Safety (Revenue – Break-Even):	£ _____
Margin of Safety % (Safety ÷ Revenue × 100):	_____ % <i>Green >25% Amber 15–25% Red <15%</i>

STEP 3 - YOUR PRODUCT / CUSTOMER MIX

Segment (product, job type, or customer)	Gross Margin % RAG
1. _____	_____ %  /  / 
2. _____	_____ %  /  / 
3. _____	_____ %  /  / 
4. _____	_____ %  /  / 
5. _____	_____ %  /  / 

My lowest-margin segment:	_____ % — Revenue: £_____ — Action needed: Yes / No
My highest-margin segment:	_____ % — Revenue: £_____ — Could I do more? Yes / No

STEP 4 - YOUR PRICING MODEL

When did I last raise prices?	_____ months ago
How much have my direct costs risen since then?	_____ %
Proposed price increase %:	_____ %
Estimated volume loss at that increase:	_____ %
Net profit impact (model it):	£_____ change — Better / Worse / Same

STEP 5 - YOUR ONE DECISION

My most important finding from today:	Pattern _____ — _____
The structural action I take first:	Action number _____
My minimum gross margin threshold:	_____ % (no new work accepted below this)
My target net margin in 12 months:	_____ % (current: _____ %)