

The Titan Times Newsletter

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Masterful Quotes

"Speed is useful only if you are running in the right direction."

- Joel Barker

"Growth is never by mere chance; it is the result of forces working together."

- James Cash Penney

"The great thing in the world is not so much where we stand, as in what direction we are moving."

- Oliver Wendell Holmes

"The secret of change is to focus all your energy not on fighting the old but on building the new."

- Socrates

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in this issue:

Markup vs Margin	P.1
Masterful Quotes (Sidebar)	P.1
Upcoming 2022 Tax Deadlines	P.2
How Successful Entrepreneurs Handle Failure	P.3

Markup vs Margin

Often mistaken for one another, a product's Markup and Margin are two different concepts. The Markup refers to how much over cost you've sold, or need to sell, a product for, while the Margin refers to how much of a product's revenue you get to keep. They both sound and can be used similarly but confusing the two can create problems.

Let's start with a simple example:

Markup = ((Price - Cost)/Cost) x 100 (i.e.: profit/cost expressed as a %)

Assume your widget cost \$18 to produce and you sell it for \$36, you would have:

$$((\$36 - \$18) / \$18) \times 100 = \underline{100\% \text{ Markup}}$$

You could express your desired selling price by quoting your desired Markup percentage of known:

$$\$18 \text{ cost} + (\$18 \times 100\%) = \$36$$

When quoting Margin, you always divide by price instead of the cost:

Margin = ((Price - Cost)/Price) x 100 (i.e.: profit/revenue expressed as a %)

Using the same assumptions, you would have:

$$(\$36 - \$18) / \$36 \times 100 = \underline{50\% \text{ Margin}}$$



Upcoming Federal Tax Deadlines

June 2022

- 15th | Second quarter estimated tax due

July 2022

- No due dates

August 2022

- 1st | Annual return/report of employee benefit plan
- 1st | Second quarter payroll taxes due

September 2022

- 15th | Third quarter estimated tax due date
- 15th | S corporation income tax return extended due
- 15th | Partnership income tax return extended due date
- 30th | Trust income tax return extended due date

In other words, whereas with Markup, where one can say they mark up the price of the product by 100% times it cost, they can alternately say that 50% of their selling price is profit (their Margin).

In our example, the widget has a “Markup” of 100% and a “Margin” of 50%.

So, when should you use Markup versus Margin?

Quoting Markup focuses on a cost-based point of view and helps ensure you keep generating consistent revenue per unit sold because it forces you to look at changing costs and adjust the selling price accordingly by applying your desired Markup Percentage to land at the current selling price.

Particularly when there are different players along a supply chain with standard rates, using Markup at each stop is common.

Alternately, a focus on Margins, tends to direct you to value-based thinking because you start out by looking at the price first, not the cost. Focusing on price over cost brings places greater emphasis on other market pricing decisions.

You might find pricing based on Margins more commonplace when there is a lot of competition. This could, for example, allow you to evaluate pricing by determining a range that includes the lowest acceptable price at which you are willing to sell your product, based on a minimum Margin requirement.

These are rather simplified examples, and one often doesn't have the same profit expectations for each different item offered. However, if we understand the difference between markup percentages and gross profit margins, we can have better flexibility in our pricing strategies.

A Few Good Reasons to Work With a Business Coach:

- Access to someone with deep business experience
- You will learn to think more strategically
- You will implement better systems and plans
- You will finally have someone who isn't afraid of correcting you, but will also celebrate wins with you



How Successful Entrepreneurs Handle Failure

There are many differences that separate the winners in business and life from those who are struggling and falling by the wayside. One big difference is how they handle failure. Successful entrepreneurs have a positive mindset around the experience of failure. When they fail, they look at it as a result. They took "x" steps and produced "y" results. "Y" didn't work, so it's back to the drawing board to change the formula and try again.

Many new business owners don't make it out of the gate because as soon as they fail, they figure, "Who am I kidding? I knew it wouldn't work" and then quit! If everyone had that mindset, we wouldn't have electricity, airplanes, vaccines ... actually, we'd have pretty much nothing. Every single success in this world was preceded by one, two -- a thousand failures! Babe Ruth set a record for the most home runs. Did you know he also had the record for the most strikeouts? Thomas Edison failed more than a thousand times before he perfected the light bulb.

If you're not failing, you're not pushing yourself enough. You are remaining in your comfort zone and cannot expect to reach the level of success you're capable of. Failure is what allows you to learn and grow. If you quit as soon as you meet with failure, you will always remain exactly where you are.

Albert Einstein once said, "You cannot solve a problem with the same level of thinking that created it." And, "The definition of insanity is doing the same thing over and over again and expecting a different result." What these statements teach is, in order to overcome failure, you must think differently and act differently. It is what separates the ordinary from the extraordinary!

You might have to seek out guidance from someone else who can offer the expertise you need. You may need to inject new perspectives and talent by forming a team around your project. Fear of failure is one of the biggest obstacles that hold new business owners back. Failure should not be feared, but embraced because a life lived in fear is a life half lived.

If you're stuck and unable to move forward because of fear of failure or because you have failed in your previous attempt, bring someone else into the mix to offer support and guidance.