

Net Profit Margin

Financial indicator	Net Profit Margin
Purpose of indicator	To Identify what percentage of a businesses revenue is remaining as profit after deducting all sales and operating expenses.
Indicator formula	$NPM = \frac{\text{Net Profit}}{\text{Total Revenue}} \cdot 100$
Increases when	A businesses expenses decrease from the previous period whilst retaining the same revenue.
Decreases when	A businesses revenue decreases from the previous period whilst retaining the same expenses.
Benchmarks	<ul style="list-style-type: none"> - Industry Average: How most businesses in the market are performing compared to the business. - Competitor Performance: Comparing the businesses performance to that of its direct competitors - Past Performance: Analysing how the business has performed in the current period to its past periods, this can also identify trends to predict performance for future periods. - Budget: How the business is performing compared to its budgeted NPM predicted from identified trends in past periods.
Performance evaluation	<ul style="list-style-type: none"> - Profitability: How many cents a business retains at the end of the period for each dollar of revenue generated. - Liquidity: How much cash a business has on hand to pay operating expenses and meet upcoming debts.
Improvement strategies	<ul style="list-style-type: none"> - Effectively managing expenses - Reducing cost of goods sold by switching suppliers - Raising the sale price of inventory - Ending poorly performing lines of inventory - Purchasing inventory in bulk to receive a discount