

eBook

9 WAYS TO MAXIMISE YOUR RESIDENTIAL CONSTRUCTION BUSINESS' PROFIT

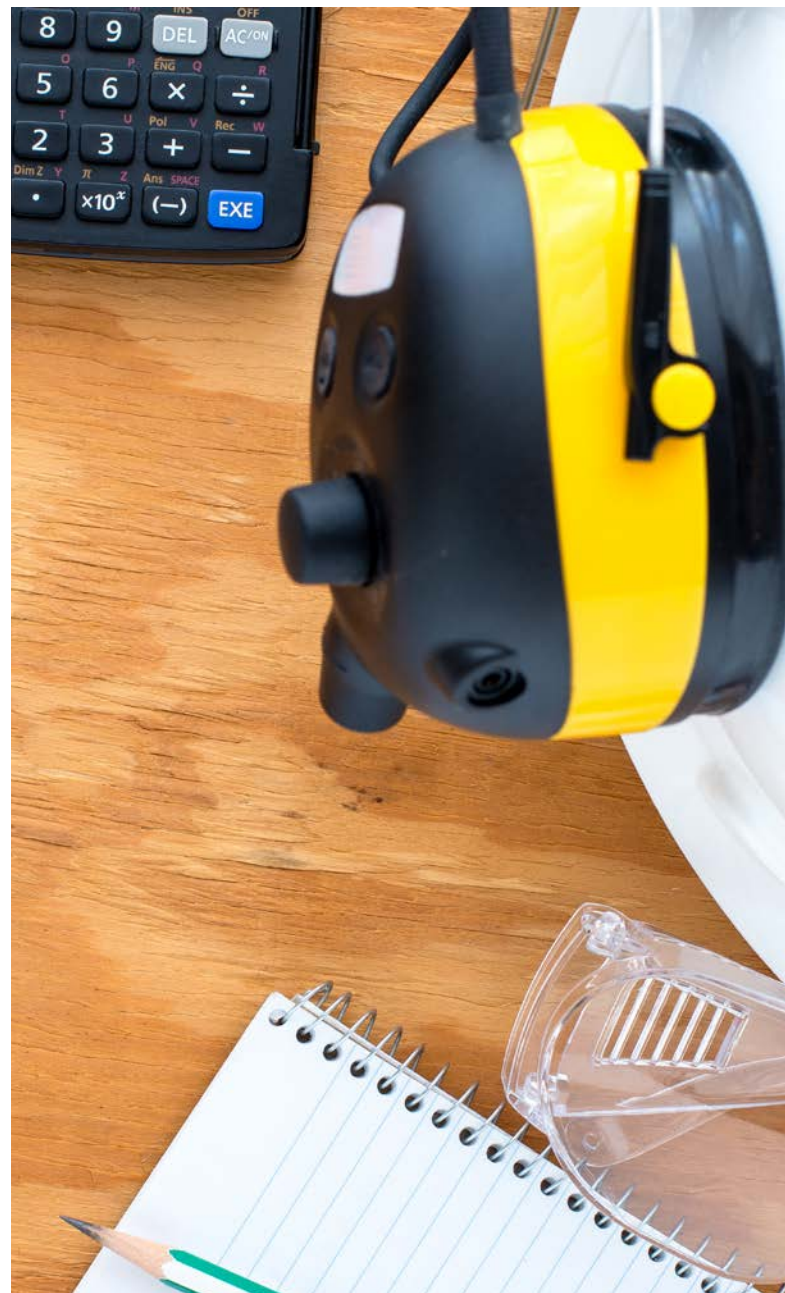
Protect the future of your business

It's undeniable that the global pandemic has taken a toll on businesses and our economy. And that includes the construction industry.

Now more than ever, it's essential to keep your business alive throughout this economic downturn and into the future by ensuring you're making profit and reaching your targets.

But there are many reasons why this doesn't happen, such as poor money management, no marketing strategy, unactioned quotes and inaccurate estimates.

So, to safeguard your operation, here are nine takeaways from our webinar: [Setting up your Business for Maximum Profit](#) that we co-hosted with [Andy Smith, co-founder of Lifestyle Tradie](#).





Find a good accountant

“Know your numbers.”

It's doubtful that's the first time you've been given that advice. But as common as that advice is, there's never been a better time to revisit it.

If you're not sure about the information going in, then you run the risk of getting the wrong information out. It's errors like these that can impact your profit and ultimately, your business.

Knowing your numbers boils down to how you look at your profits and losses and making sure you go through it every single month.

A lot of business owners tend to spend money without keeping track of it. Then after six months, they meet up with their accountant, only to be taken aback by how much they've spent and how it's resulted in them being a few steps behind where they need to be.

Having a good accountant who understands your construction business and who can run the numbers regularly and accurately is crucial to maximising your profit. An accountant should be able to go through the data line by line and highlight any anomalies and issues so that you can proactively address them.

Consider asking yourself how you found your accountant:

- Was it through mum and dad?
- Through another tradie?
- Or did you just pick the first one you found?

It's important to go through a careful selection process so that you ensure your accountant gives you accurate information and advice.

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Review your hourly rate

Being in business is not just about breaking even – your business needs to be profitable.

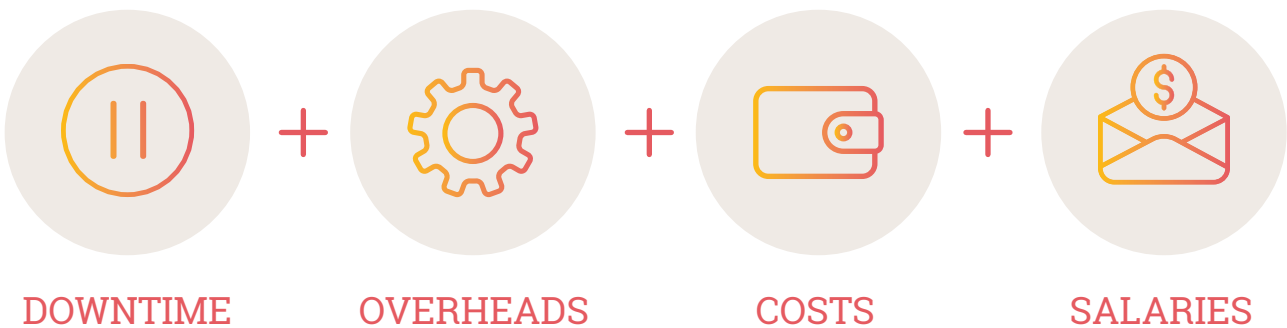
To be able to sustain the life you want and provide for your family, it all comes down to the hourly rate.

Reviewing your hourly rate is important in making profit because a majority of builders quote with an hourly rate in mind.

Most builders set their hourly rate on a good day when everything is going right. But how often does that happen in business? You have times when work is flowing through the door, but there will also be times when it slows down.

We all face challenges (especially in the current recession), so these possibilities should always be taken into account when you decide on how much you should charge per hour. Consider factors such as staff annual leave, sick leave and public holidays, plus natural downtime throughout the year. This could mean there's only 40 weeks in a year where you can charge for work.

So, start looking at your overheads and costs, then work out what your hourly rates should be. Otherwise, when the tougher times hit, you won't have a security blanket.



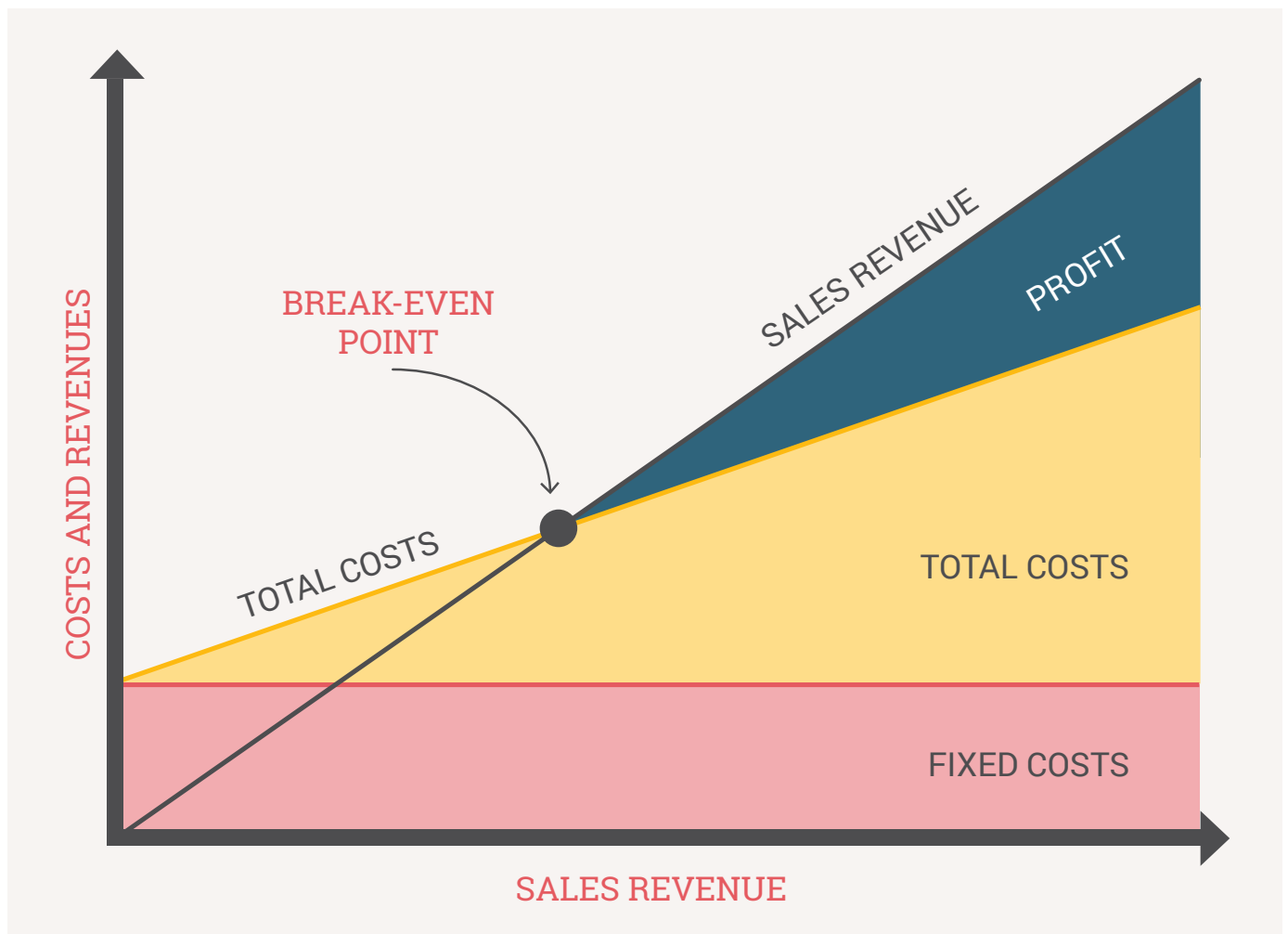
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Establish your breakeven

Every business owner needs to know when they're making money and when they're not. That's why it's important to identify what your break-even point is.

Following that, you should keep track of how much you're making each day, week, or month to make sure that you're on track to breaking even.

If you don't know your profitability week in and week out, it becomes difficult to make decisions in your business as you start to move forward.



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Learn how to forward forecast

This can be a tricky process, especially if you're not an expert in finances. But don't worry, this is something you can talk to your accountant about.

Forward forecasting will help you make sure that:

- Your cash flow remains on point
- You always have money when you're moving forward

A typical question that is asked in a business owner's head is:

- When is the right time for my business to grow?
- When should I buy new equipment?
- When is the right time to spend money on marketing or to add more staff?

It always comes back to knowing your numbers and understanding your forward forecasts. Many depend on gut instinct, and while you can trust your gut some of the time, ignoring the figures will do your business more harm than good.



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Double down on your marketing

When is the right time to market your business? The answer is now.

Marketing is a vital part of every business, and you should spend at least 5-10% of your turnover on it. Some builders even spend up to 20% of their turnover on marketing.

Marketing not only brings in the work – it also makes sure that you're getting top-quality customers.

Consider two types of marketing that are fairly easy to execute:



ONLINE MARKETING

- Content
- SEO
- Digital ads
- Emails



OFFLINE MARKETING

- Print ads
- Flyers
- TV and radio
- Word-of-mouth



Online Marketing

Investing in online marketing will keep you competitive and relevant in the industry.

There are several types of online marketing, including:



content-based (e.g., blogs, videos, and social media)



search engine optimization (SEO)



pay-per-click (PPC), such as Google/Bing Ads



emails

With various types available, what platform you should focus on really depends on your market. You can find this out by having a customer persona that fully describes your ideal customer and where they get their information from. Make sure you promote your business where they are looking.

Regardless of what type/s of online marketing you choose, the most important thing to remember about marketing is that it's about consistency. Whether you're getting a lot of new jobs or not, you should always keep constantly posting valuable content.



Offline Marketing

While the advancement of technology has led to a global shift to online marketing, offline marketing is still important for any builder and trade.

Offline marketing refers to traditional advertising - so that includes printed ads (e.g. posters, billboard ads, flyers), and TV or radio ads.

Word of mouth is also important. Think of it as a tree, where every main branch is a happy client. Off each branch, you have another five or six branches that can lead to another client or job. Then each of those new branches, you get more branches – and so on.



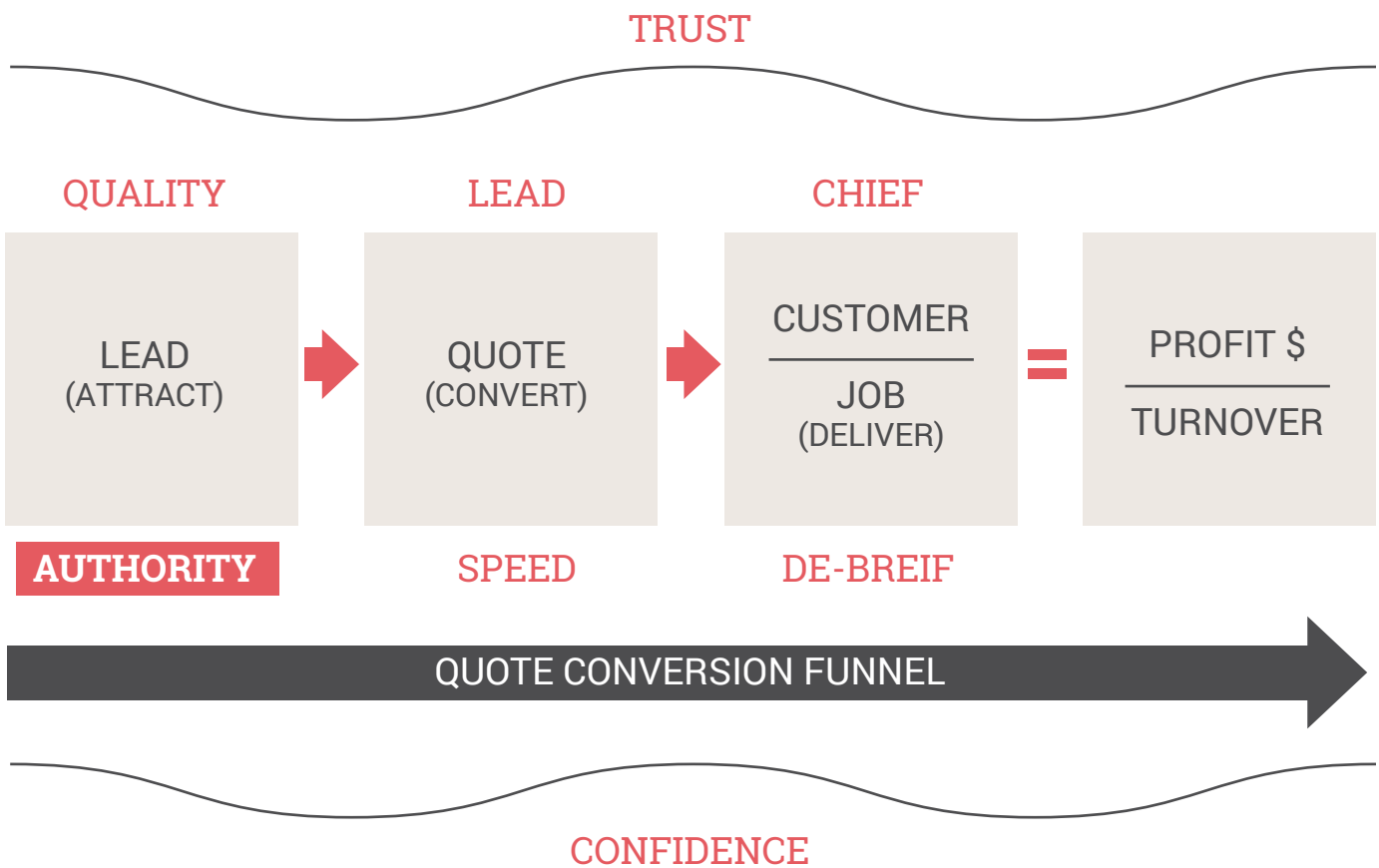
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Use the Quote for Profit formula

One vital aspect of this formula is “authority”. Authority refers to what makes you the best person or business for the job. Why is someone going to spend their money on you?

To help prove your authority, you must have photos of your work and testimonials from your previous clients that demonstrate your credibility and the quality of work you deliver.

Awards, articles about your business in a newspaper, your insurance – all of these add to your credentials deck and will help your potential customers better understand why you are the one for the job.



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Chase up quotes

A common challenge that every builder faces is spending a whole week on a quote, then having to redo everything because the customer wants changes. This happens again and again and by the end of it, you might have spent multiple hours on just one quote.

Then you don't win the job.

A lot of the time, this is because builders don't follow up on the quote. The truth is, behind the scenes, another builder is pitching for the same job but with a quote flow system.

Remember, money isn't always the turning point that makes a customer decide who to award the project to - it's the one who can provide a professional-looking quote quickly and accurately.

Business is a two-way street so don't forget to follow up on quotes you send out. By following up, you're not just asking your clients

to prioritise you. You're showing them that you're prioritising them as well.

So have a quote flow system. Determine the best way to chase your customers, whether it's through emails, phone calls, or text messages.

Andy Smith from Lifestyle Tradie has seen a 10-15% increase in approved quotes by having a quote flow process.



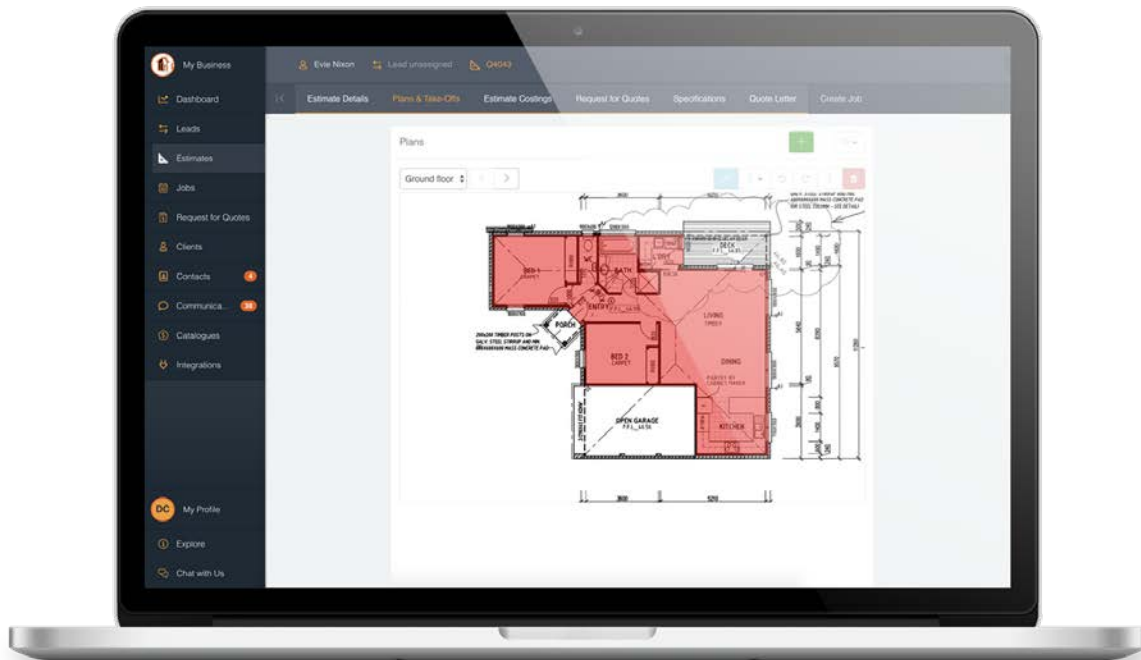
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Improve the accuracy of your estimates

Even the smallest inaccuracies in your estimates can lead to big problems. You could lose a job or even win one that loses money right away.

So, to maximise profitability, you need to make sure that your estimates are as accurate as they can be. Use [estimating software](#) with reusable templates to complete accurate takeoffs, cross-check your numbers and remove the guesswork.

This can be done through estimating and job management software such as [Buildxact](#), which we'll discuss next.



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Use a job management system

A major problem that hinders business owners from being on top of knowing their numbers is having disorganised business systems.

They become time-poor from wearing too many hats and handling every role from marketing, finance control to customer service.

So, it becomes difficult to keep up with the numbers, even if you have a sharp memory.

That's why you need to have a [job management software](#) to track your job progress and costs in real-time.

Using a job management software to its true potential is a smart way to set your business up for success.


There are a range of job management software solutions available, some more complex than others. [Buildxact](#) is uniquely designed for residential builders and trades – it's easy to use and quick to get started with.





Strategy is key


Building a strategy to maximise your profit is crucial if you want your business to thrive.


To recap, here are the essential tips to keep in mind:


-  Hire a good accountant to make sure that you're getting accurate and timely data.

-  Understand the importance of knowing your numbers, review your hourly rate, and establish your break-even point for your business.

-  Double down on your marketing to win more profitable work via your current customers and receive more referrals.

-  Have a quote flow system in place and the right follow up.

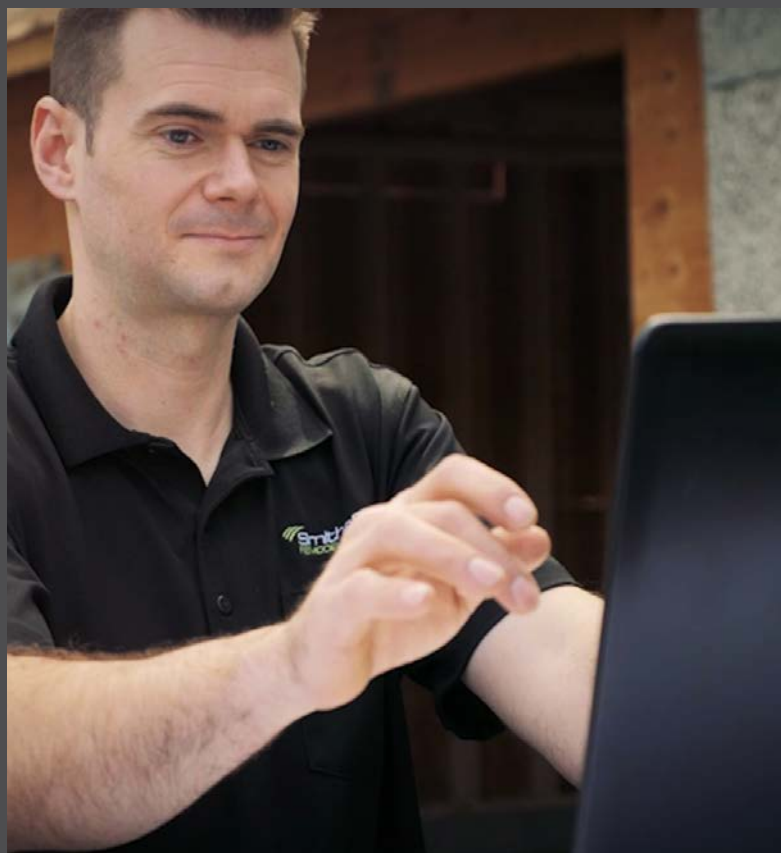
-  Improve the accuracy of your estimates through estimating software.

-  Have the right job management software in place.

At a time like this where the economy is down, it's even more important that you're careful with the decisions you make. It's the facts and figures that you need to rely on to make sure that you're not just breaking even, but instead maximising your profit.

Get started with Buildxact.

See how Buildxact can help you maximise your profit.



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