

eBook

# HOW TO IMPROVE YOUR CONSTRUCTION COMPANY'S PROFIT MARGIN

 BUILDXACT

JOB. DONE.

# Rising prices demand accurate cost forecasting

Reducing your construction costs increases your profitability; but how do you know where to start? In order to best utilize your time and build accurate estimates for your clients, you need reliable data insights to identify which material and labor expenses are inefficient or not necessary. Enter the power of cost forecasting.



Did you know that only 1-in-3 construction projects come within 10% of their budget - a percentage that only shrinks the larger the project gets?! Clearly, working without proper construction cost forecasting presents a major profitability risk for your business.

Now, add this to what's going on today with rising prices. High interest rates, unpredictable supply chains and a shortage of labor continue to push up the cost to build.

All of this is forcing homebuyers to reconsider projects, slowing housing

activity. It's not hard to imagine a situation where you take on a money-losing project that could make your business go bust.

Yet, many home builders don't properly plan budgets and cost because they think forecasting takes too much time or don't know where to begin.

This doesn't have to be you. Today, software tools exist that make forecasting an incredibly simple and predictable process.

Let's break it down.



# 1

## Forecasting basics

Forecasting breaks down a project's individual tasks and their associated labor and material costs based on counts you calculate from a takeoff. Also included are indirect costs, such as permits or soil tests. From this list of tasks, you then have a forward view of costings.

From this, you should understand the number of materials involved and the

different sets of contractors needed to complete the job. From there, you can build your initial schedule, with associated milestones that give you a sense of how long the proposed project will take.

Modern construction estimating software makes cost forecasting incredibly simple and ensures your material and local labor rates are based on the most up-to-date pricing.



## 2

# Forecasting increases profits

Now consider the risks and associated indirect costs that often go unseen when a project first begins. For example, pricing fluctuations may increase material costs in later stages of your project or inflation may force you to pay higher labor rates than you initially anticipated.



With a detailed cost estimate, you can prepare different scenarios in advance to help determine whether you want to bid a project.

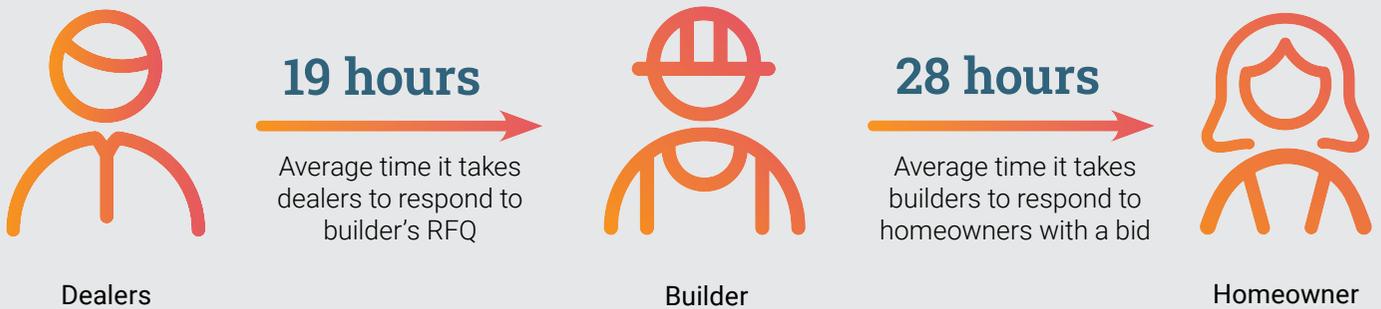
You may decide to quickly submit a bid, but it would be just as important to know if a project is not a good fit for your business. There's nothing wrong with passing on a job if the numbers don't add up.

With construction software, you can also communicate any forecasted risks to your prospects in real-time, which builds trust. It also gives you insights to determine whether prospects are ready and willing to pay what you've determined the project is worth.

# 3

## Take time to collaborate with your dealer

### The Builder's Bid Cycle



You can't afford to waste time in the custom home building industry. Creating accurate project forecasts requires accurate material prices from your pro dealer.

The time you spend sending and receiving information to your favorite pro dealer affects how fast you can build a forecast and deliver it to your prospects and clients.

An industry study from Buildxact and The Fransworth Group finds that

traditional communication practices, like emailing and back-and-forth phone calls, take an average of 19 hours per week, per customer bid.

Today, modern software helps you collaborate with your dealer online about pricing and availability, which speeds up and simplifies your administrative work and gives you time back with your dealer for material choices and substitutions that best serve your customer.

# 4

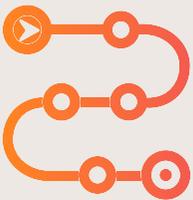
## Forecasting gives you profitability foresight

Imagine knowing the predicted profit margin of all the jobs you have planned or have under way. That insight gives you the power to determine how many new projects your company can realistically take on and gives you risk control on all active projects in your pipeline. Once a project is under way, your cost forecast continues working for you in powerful ways:



### Cost control, not cost spirals

Ensuring your costs are under control throughout the build is vital to keeping on budget. With a detailed cost forecast, you can quickly spot overspending as you compare actual spend to your estimate.



### Plan more, react less

Forecasting helps you advise your client's material choices ahead of time to avoid costly change orders. It also helps you schedule your work crews accordingly, avoiding any foreseeable schedule delays due to unavailable materials or labor shortages.



### Cash flows, not cash crunches

A detailed estimate allows you to visually track the progress of your individual tasks and clearly mark the work that's been done. By ensuring milestones are met, you can be sure their associated payments come in as planned. The last thing you need for proper cash flow is withheld payments from dissatisfied clients.

# 5

## Master your cost forecasting with construction management software

By now you understand why forecasting is important to your bottom line. Today, modern construction management software makes this critical step easier than ever before.

A good software platform provides many benefits for home builders. After some basic training you can:



Perform cost estimation 80% faster and more accurately

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Communicate and collaborate with your favorite dealers

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Centrally store all project documents, information and change orders

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Track job progression, based on groups of tasks that move together

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Integrate your accounting software to manage your business alongside project budgets

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Access your projects from anywhere that Internet connection is available

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6

## See the benefits of forecasting with construction management software in action!

### Norse Ironworks Case Study

Jordan Copeland knew his Oregon contracting business, Norse Ironworks, needed a tech solution that would help him better manage his time. He also knew that whatever software he chose needed to be quick and easy to set up.



*“In getting this up and running, I think it took me about a day and half to be fully in, with all of the projects I was working on fully imported. — I was able to crank out four or five estimates in a day, and everything looks professional. It’s so easy to work with that I’ve been able to update a bid a few times while having a beer and eating a burger.”*

But Copeland said his choice of modern software is more than an estimating solution, it also helps him and his team manage project schedules.

*“What we liked was the integration of the estimating functionality with the project management,” he said. “It was a huge bonus, especially when you look at the price point.”*



# Ready for a better way to manage your projects?

Book a personalized one-on-one demonstration with one of our expert team members today.

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