



8 Best Practices for Successful Construction Companies

From increasingly complex safety regulations to the volatile nature of the construction industry through the pandemic, construction managers must often juggle many different considerations in order to find higher profit margins and more projects. As a result, many team members become accustomed to executing projects with their own methods, tools, software, and processes. It's crucial to understand that besides a manager's analysis and strategy-building, a construction firm must adopt certain practices that keep the organization growing steadily and ready for unpredictable changes in the industry.

Successful adoption of the following best practices can increase productivity and bring higher revenue and profit margins. Most of all, keeping these rules of thumb as a foundation for your company will ensure that your growth is manageable and sustainable.

About Constructive Solutions

Constructive Solutions is a team of construction and real estate (CRE) software experts. From choosing the right solution to process refinement through implementation, we help your company create harmony between technology and people.

For over 20 years, we have been using industry-leading best practices for software implementations and solution design. Our software solutions support accounting, operations, CRM, human resources, time tracking, merchant services, and the specialized needs of the construction and real estate industries.

Constructive Solutions operates as a division of The Answer Company, North America's leading experts in business management software and technology consulting services.



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1. Find Your Niche

There are so many different areas of contracting – so if your company specializes in something particular or offers more unique services, make it known. Promoting your company as superior in one area, whether it is window installation or roof repair, is a great way to ensure that your company is in the first-to-mind recall realm when a customer is searching for that particular service. If your company does general contracting, continue to offer your broad spectrum of services to keep those revenue streams, but focus your marketing on communicating your specialties.

2. Prioritize Customer Service

The construction industry does not first come to mind when one mentions 'customer service', so the significance of customer service is often overlooked. In the hiring process, while it is obviously important to determine whether or not they have the necessary contracting skills, it is also critical to ensure that your team can and will provide high-quality and consistent customer service.

Your clients will remember the work that was done for them and, moreover, they will remember how they were treated during the process. Assembling a team of people who will give your clients respect, patience, and understanding will go a long way in getting your business repeat customers and valuable referrals.

3. Don't Put Marketing on the Backburner

Developing a clever and fleshed out marketing strategy is a promising way to steadily grow your business. Although it is great when you can acquire clients through word of mouth (a likely by-product of top-notch service), applying research and resources into developing a marketing plan can go a long way.

Firstly, apply consistent branded fonts, colours, logos, and styles across all your channels of marketing, including your website, social media, and advertisements. Next, ensure that your website is easy to navigate and filled with comprehensible information on your company, your team, your services, and more. Optimizing your website is a smart first step because all your other marketing efforts will likely direct audiences to your website for more information. Additionally, make sure your company is easy to find on Google Maps and has accurate information, so prospective customers know how to reach you.

Once you have done the basics, dedicate a monthly or annual budget to marketing efforts. Spend time researching the various channels that you can reach your target customers through. Some common advertising channels utilized across this industry are Google Display Ads, Google Search Ads, and LinkedIn Ads. Try also to discover some websites that list and recommend local construction companies and ensure that you are put onto that list – as that is often a first destination people arrive at when they have no referrals and are searching for options.

Stay consistent with your marketing efforts while also ensuring that you analyze results and make changes to optimize performance. Search for creative ways other construction companies do marketing, A/B test different advertisements, and ask professionals to review your website. Prioritize marketing so your company is front-of-mind for prospects when they need a contractor.

4. Build A Referral Network

Your referral network should consist of both customers and other contractors. While every customer can be a potential referrer, you can also be purposeful and strategic when finding referral customers. People who are upgrading or remodeling their home are often great candidates for other services.

For referral partners for subcontractors, you may discover that general contractors, interior designers, pool providers and similar types of companies make great contenders. For example, if you specialize in one type of landscaping like lawn care, some of your best referral sources may be landscape companies with a different specialty.

Do a reach-out campaign to established local contractors with whom you can create relationships and pass business back and forth. If you are a general contractor, try reaching out to your subcontractors and vendors with a solid pitch on what you can offer.

5. Manage All Jobs By The Budget

Create a job budget that outlines anticipated job costs in detail. Then, use a good job-cost reporting system, such as Sage Intacct or Acumatica, to measure performance against the budget. Remember that the job budget should

never include overhead or profit and the labour costs should represent true labour costs, not billing rates.

6. Track Change Orders

Change orders can make or break a job, because doing extra work without getting paid for it erodes or even eliminates profit. Track and invoice changes or additions on a regular basis using a cloud construction management software that is easy for every team member to navigate and that can be updated in real-time on the job site.

On top of that, be sure to clearly communicate with the customer all changes in overall job price and completion date, so there are no unpleasant surprises for either party at the end of the job.

7. Account For Labour Utilization

Field employees may be key to job completion, but their time is not 100% billable. For example, if you pay a field worker for full-time hours across an entire year, but the number of hours you are billing your customer are less than that, then your employee utilization rate will definitely be under 100% and your profit margin will shrink. When you are estimating labour for a job, be sure to take this into account in your profit estimation.

Consider the following Employee Utilization Rate formula:
Employee Utilization Rate = Billable hours / Paid hours

8. Review Gross Profit Margin On Each Job

Gross profit equates to total job revenue minus total job costs. For each job, gross profit shows the amount of money left over to cover overhead expenses and contribute to profit. Gross profit as a percentage (called gross margin) is an excellent metric to be measuring and doing cross comparisons on across projects. Spend time after each project to analyze potential quantitative reasons as to why your gross margin was higher or lower. You may also compare relative profitability of different size jobs.

Consider the following Gross Margin formula:
Gross Margin = Total Revenue - Job Costs / Total Revenue

While manual calculations are doable, it is highly likely that you will encounter errors and inconsistencies. Using a construction ERP solution across all your projects allows you to monitor revenue and profit estimations throughout the project. At the end of a project, easily compare gross margin numbers and measure it beside several other metrics that are automatically calculated and displayed in comprehensible and concise reports.