

KOJO GUIDES



# Electrical Contractors: Materials Purchasing Benchmark Report

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# Executive Summary

## Introduction

In today's fast-paced, highly-competitive electrical contracting industry, a contractor's ability to manage material costs and increase operational efficiency are the keys to enhancing profitability, productivity, and growth – especially in the current pandemic-fueled era of product delays, price increases, and labor shortages.

The following survey, conducted by Kojo – the largest and leading materials management software for the construction industry - surveyed nearly 379 electrical contracting firms of all sizes and geographic locations nationwide to better understand how electrical contractors procure and manage their materials, and the impact that their material management processes have on their bottom lines.

## Results

Our survey revealed that electrical contracting firms have a tremendous opportunity to increase margins, labor productivity, and revenue per employee by eliminating manual practices like spreadsheets, physical assessments of inventory and low-tech communication modes like phone calls and emails when it comes to inquiring about, quoting, purchasing, tracking, and sharing updates on the materials they use on projects.

# Respondent Background

**9-10% avg.**

Average Net Profit Margin

The Electrical contractors represented in the 379 survey responses have an average profit margin of 9-10%, which is aligned with typical expectations for this industry.



**Small**

158 responses



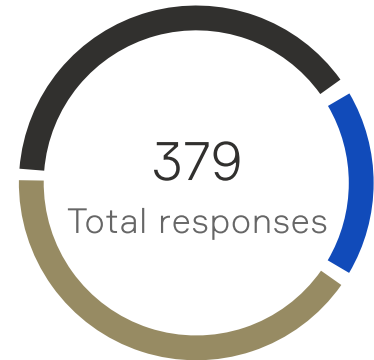
**Medium**

158 responses



**Large**

63 responses



The 379 survey responses came from companies ranging from 10 to 1,000 employees. The responses were segmented by company size to provide more accurate benchmark data.

As expected, the number of projects the company took on in 2021 increased with company size.

Number of Jobs Completed in 2021 (avg)

**48**

Small

**63**

Medium

**85**

Large

The surveyed firms engage primarily in commercial construction work (instead of residential construction work or service work).

% of work that was construction (avg.)

Small Firm 76%

Medium Firm 82%

Large Firm 88%

% of work that was commercial (avg.)

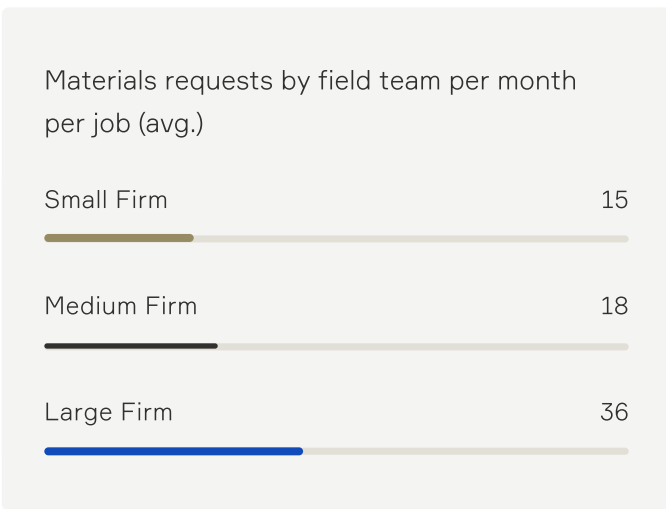
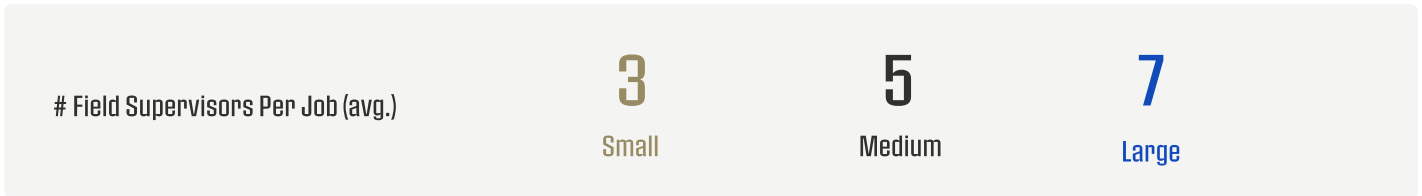
Small Firm 76%

Medium Firm 87%

Large Firm 91%

# Materials and the Field

The following survey results look at how the Field team is involved in the materials management process. Larger companies have larger field teams, and correspondingly, more material requests originate from the field at larger companies. Regardless of company size, an individual field supervisor spends more than an hour per week on material management.



## Key Takeaway

# 2 weeks / year

of field labor hours spent communicating about material-related issues with the office or suppliers.

## Implications

This data reveals that field teams spend excessive time communicating about or managing materials on the job when they should be focused on their area of expertise -- electrical contracting work. This is especially relevant given the high cost of skilled labor (the going rate of which is currently \$150/hour or more in the nation's largest cities). Multiply the weekly hours field supervisors spend on materials management issues by the number of supervisors on your team. There's significant money being lost on unproductive tasks every year.

# Materials and the Field



To dig into the root cause of time wasted in the field on managing materials, we asked survey respondents about the processes they have in place for the field to place material requests. Most field teams are still using email and phone to facilitate material requests, even in instances where a software/app/website is also being used.

*What processes or systems are the field using to place material requests?*

Mode	Small	Medium	Large
Email	50%	45%	47%
Phone	25%	9%	13%
Text	0%	0%	0%
Spreadsheet	0%	0%	0%
PDF	8%	0%	0%
Software/App/Website	17%	36%	40%

## **Key Takeaway**

Most field requests sent to the office or a supplier are still made via email or phone, regardless of company size.

## **Implications**

Field productivity (in terms of field labor time spent on non-construction activities) is being impacted by the inefficient processes used to place essential material requests. Companies that have utilized a software, app, or web-based approach appear to be facing field adoption issues, as the field teams are still using email and phone during the material request process. There is a clear gap in material request technology for the field, which can help the field quickly place requests without relying on disorganized methods like phone or email, but still involve minimal effort on the field's part. A modern, streamlined material request technology for the field could help contractors increase field labor productivity. At the same time, it also better organizes the material request information, allowing for more work to be completed with the same amount of resources.

# Materials and Field Operations



Once the field has placed a material request, they still need to know what has been ordered and when it will arrive. The survey responses reveal that visibility into order status is considered very important by the field to carry out their work.

**10-15 days** avg.  
Schedule slippage caused by order delays & errors

*How important is it for the Field to have insight into material order status?*

Mode	Small	Medium	Large
Not at all Important	0%	0%	0%
Somewhat Important	9%	8%	7%
Important	27%	43%	9%
Very Important	55%	32%	38%
Imperative	9%	38%	46%

### Key Takeaway

**90%**

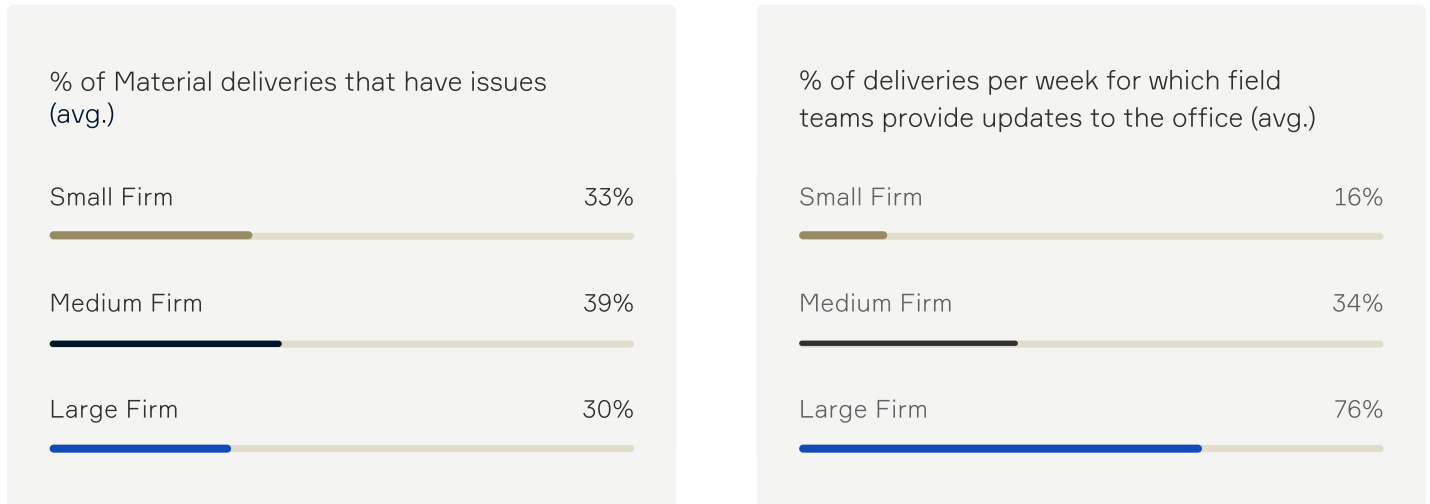
of field teams feel that it's important, very important, or imperative to know which materials have been ordered and/or released and order status.

## Implications

The field needs to know the status of the material requests and orders. A lack of information and visibility into what materials have been ordered, when they've been ordered, and when they'll arrive can create a series of poor ordering decisions for both field and office teams. Overpaying for duplicate orders and next-day purchases can increase materials spending, while underbuying materials can result in job delays and increasing labor hours. Perhaps even more importantly, visibility into order status allows the field to proactively adjust the work schedule or phasing as needed to avoid sitting around and waiting for materials. By providing field teams with a simplified way for tracking accurate and real-time materials updates, there's an excellent opportunity to improve jobs' outcomes and margins.

# Materials and the Field

Once the materials are received, it's also important for the field to document deliveries and communicate any issues back to the office for resolution (and invoice matching). According to the survey results, on average, 34% of all deliveries to the field come with issues. Whether delivery notes are communicated back to the office varies dramatically with company size. Large companies receive delivery documentation 76% of the time, small and medium companies receive delivery documentation just 16% and 34% of the time, respectively.



## Key Takeaway

**Over one-third of material deliveries are received with issues, but many (or even the majority) of these issues go undocumented.**

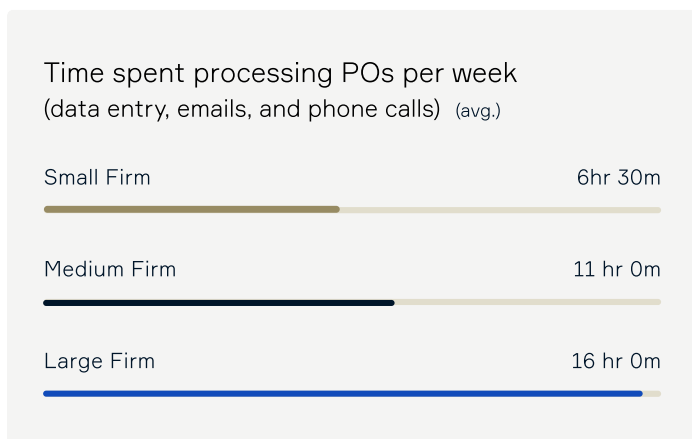
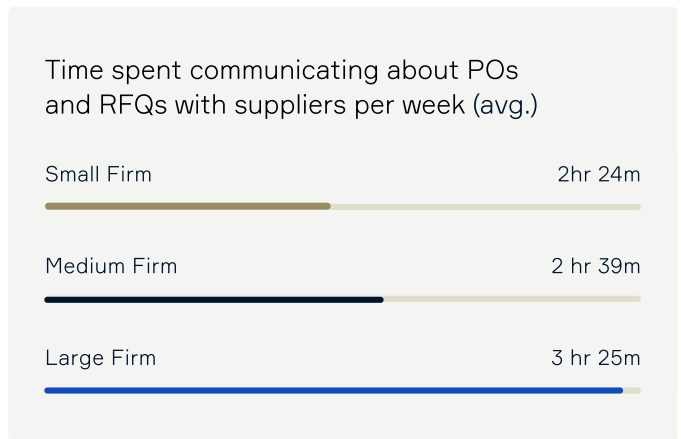
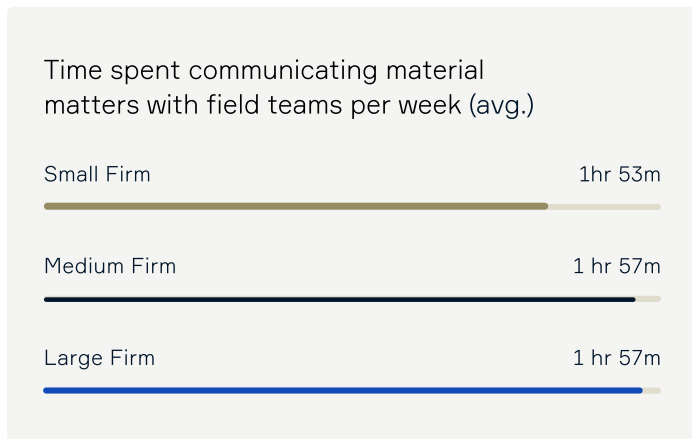
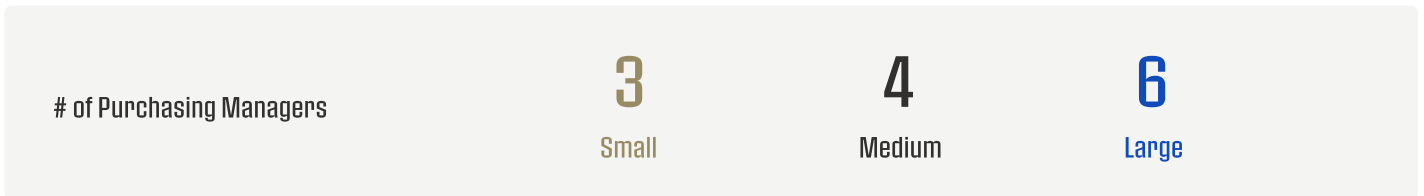
## Implications

A surprisingly large number of material deliveries arrive with issues. Large companies appear to have more processes for communicating delivery notes back to the office than small and medium companies. However, there is still a gap of 24% of undocumented deliveries, even at large companies. This represents a significant risk, especially to small and medium companies, in which damaged or unreceived material orders go unresolved or are paid for. There's an excellent opportunity to eliminate overpaying for materials due to human error in the delivery process by implementing a more straightforward, easier way to pass delivery notes between the field and office teams.

# Materials and the Office



The following survey results look at how the Office team (i.e., Purchasing) is involved in the materials management process. Office staff, typically part overhead/G&A expenses, spend substantial time on material management. Larger companies have larger purchasing teams and correspondingly have more collective time spent on materials management.



**Key Takeaways**

**7 weeks**  
Spent on material-related communication by purchasing managers

**20% - 40%**  
Percent of time spent processing POs by purchasing managers

## Implications

While the survey revealed that field teams could spend an excessive and unproductive amount of time on the materials management process, in-office purchasing professionals do as well, spending hundreds of hours every year communicating with field teams and suppliers about material related matters, including quotes, POs, hold for releases, inventory checks, deliveries, and more. There is substantial room to improve the office efficiency around materials management, which stands to have a significant impact on a firm's overhead / G&A. Improvements allow contractors to scale their businesses without scaling their overhead/G&A expenses.



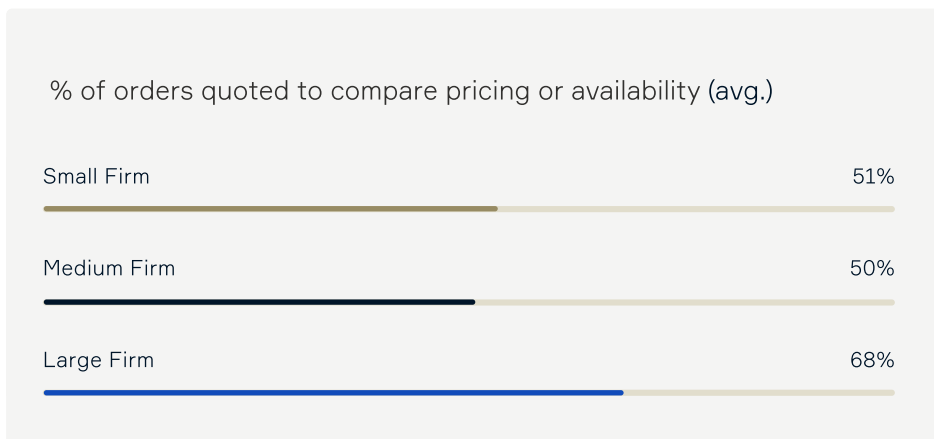
# Materials and the Office



To dig into the root cause of office inefficiencies around managing materials, we asked survey respondents about the processes they have in place for managing material orders. Most purchasing teams use email and phone to request quotes or place orders with suppliers.

*What processes or systems are used to place orders or request quotes from suppliers?*

Mode	Small	Medium	Large
Email	70%	73%	85%
Phone	12%	6%	6%
Text	0%	0%	0%
Spreadsheet	2%	0%	0%
PDF	0%	4%	0%
Software/App/Website	16%	17%	9%



## Implications

The inefficient and costly use of office staff time is primarily caused by communication mediums like phone and email, which leads to lags and unnecessary back-and-forth and necessitates extra data entry to track updates and results. Electrical contracting firms have a massive opportunity to increase the work produced by their office and purchasing teams without increasing their general and administrative costs by eliminating inefficient and outdated processes for passing materials, information, and data from the field to their suppliers.

# Materials and the Office



Bulk or large orders that are placed in advance (e.g., buyouts) offer many advantages and introduce the need to keep track of how much material has been released or is remaining. The majority of survey respondents are either manually updating spreadsheets or relying on the supplier to keep track - and some aren't tracking this at all.

## How do you keep track of how much material has been released for buyouts?

Mode	Small	Medium	Large
Spreadsheet	28%	33%	62%
Paper	14%	6%	0%
Rely on Supplier	33%	31%	19%
Don't Track	23%	6%	0%
N/A	0%	6%	0%
Software	2%	17%	19%

### Key Takeaways

**25%**

Nearly a quarter of all small firms reported that they don't track the release of product from material buyouts at all

**40% - 60%**

Of respondents manually track the release of material buyouts on paper or spreadsheet.

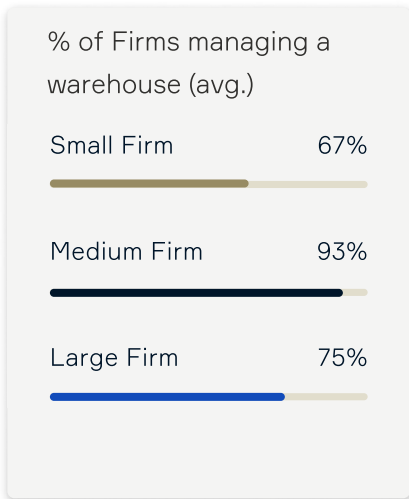
## Implications

Large buyouts of materials can help contractors lock in favorable pricing and ensure availability, a helpful tactic during times of product shortages and/or pricing volatility. However, survey results show that many contractors aren't effectively tracking these buyouts. With purchasing teams already bogged down with manual processes for purchasing, quoting, and tracking materials, another manual buyout-tracking step can be easily overlooked. Not knowing the quantities that remain on a buyout introduces substantial risks of duplicate or wasted orders. Implementing a more reliable (and user-friendly) method for tracking buyout quantities and releasing them to the field represents a significant opportunity for the industry.

# Materials and Purchasing Operations

One fundamental way to optimize preconstruction material planning efforts is to operate a warehouse and/or a prefab shop. Our survey results show that the majority of firms use a warehouse. In tracking warehouse inventory, the process is even more manual than purchasing, with many firms relying on physical visits to the warehouse (or not following at all).

## How do you keep track of general / common stock?



Mode	Small	Medium
Spreadsheets	22%	15%
Physically Going to Warehouse	37%	33%
On Paper	2%	9%
Software	10%	20%
Don't Track	29%	24%

### Key Takeaways

**33%**

Small and medium-sized firms track general/common stock by visiting the warehouse's highly manual process.

**25%**

All small and medium-sized firms don't track common stock at all.

## Implications

Keeping tabs on general or common stock can be arduous for contractors. The materials often go overlooked due to a lack of visibility in warehouse inventory. Challenges with available stock job costing also increase the complexity of tracking the materials. The byproduct of poor tracking can be a meaningful hit to the bottom line. New materials are purchased when they already exist in the warehouse, and job delays can arise when waiting on supplier deliveries rather than pulling materials from the firm's warehouse. Improving visibility and job costing of available stock materials represents a proactive way for contractors to remove dependencies on supplier availability, delivery times, and pricing and eliminate over or under buying errors.



# Conclusion

**The procurement and management of materials for electrical contractors is riddled with inefficiencies due to outdated and manual processes, and these inefficiencies stand to impact profit margins.**

Inefficiencies abound in many areas of the material purchasing process, from communication between the field, office, and suppliers to the ways firms are tracking (or not tracking) materials throughout the life of a job. While inefficiencies can impact labor and overhead (G&A) budgets, the risk of lost or miscommunicated information, or lack of visibility into material-related issues, can also present a more tangible threat of increased material costs and project delays.

With challenges come opportunities. Eliminating manual data entry, removing unnecessary phone calls and emails, increasing the visibility of materials inventory and order statuses, and implementing better pre-construction planning to take advantage of more buyout incentives, are all areas of a firm's business that present significant opportunities to increase labor productivity, reduce general and administrative expenses, and find savings on materials.



# A Materials Management Solution for The Modern Contractor

Kojo, the leading materials management solution for the construction industry, enables electrical contractors to reduce general and administrative costs, increase field productivity, and save on materials costs by connecting the field, office, warehouse, suppliers, and accounting systems onto one collaborative platform.

With Kojo, contractors can:

- Shift \$100k per year of labor hours onto higher value activities.
- Get the best material prices and availability.
- Reduce costs by eliminating extra orders and using leftover materials.
- Manage and track buyouts and inventory more effectively.
- Plan more material orders in advance.

To learn more about Kojo, visit [usekojo.com](https://usekojo.com)



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