

KOJO GUIDES

2022

A Contractor's Guide to Reducing Overhead Costs

KOJO

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A Contractor's Guide to Reducing Overhead Costs

Removing inefficiencies from your materials management process creates the greatest opportunities for cost savings.

Labor, tools, materials, overhead. If you're looking at a project in these terms, it should be simple to think of ways to become more profitable: look at each of these areas of spend and see where you can cut waste. But as you dive into it, you soon find that it's not so simple to isolate labor, tools, materials, and overhead.

For instance, most contractors try to reduce their second biggest cost center, materials [up to 40% of project costs], by shopping around for better pricing, however, if the materials are poorly managed and the wrong materials arrive on-site, laborers' schedules will be impacted. By the same token, if purchasing managers receive requisitions from multiple projects via text, email, phone, PDF, spreadsheet, or even paper, then it will take time to interpret and transcribe lists into purchase orders, driving up overhead costs. Given how connected materials are to all other aspects of a job, how you purchase and manage them has an outsized impact on the bottom line.

Simply said, removing inefficiencies from your materials purchasing and management process is where you'll find a great opportunity to save on costs, scale your businesses, and increase your profits.

The **FREE** Process

In this guide, we present you the **FREE** process, which is a step-by-step guide to help you decrease overhead costs and increase profits by removing inefficiencies from your materials purchasing and management process.

FIND

Find your company's inefficiencies. Learn a proven process for finding inefficiencies in your current materials purchasing and management process.

RECOGNIZE

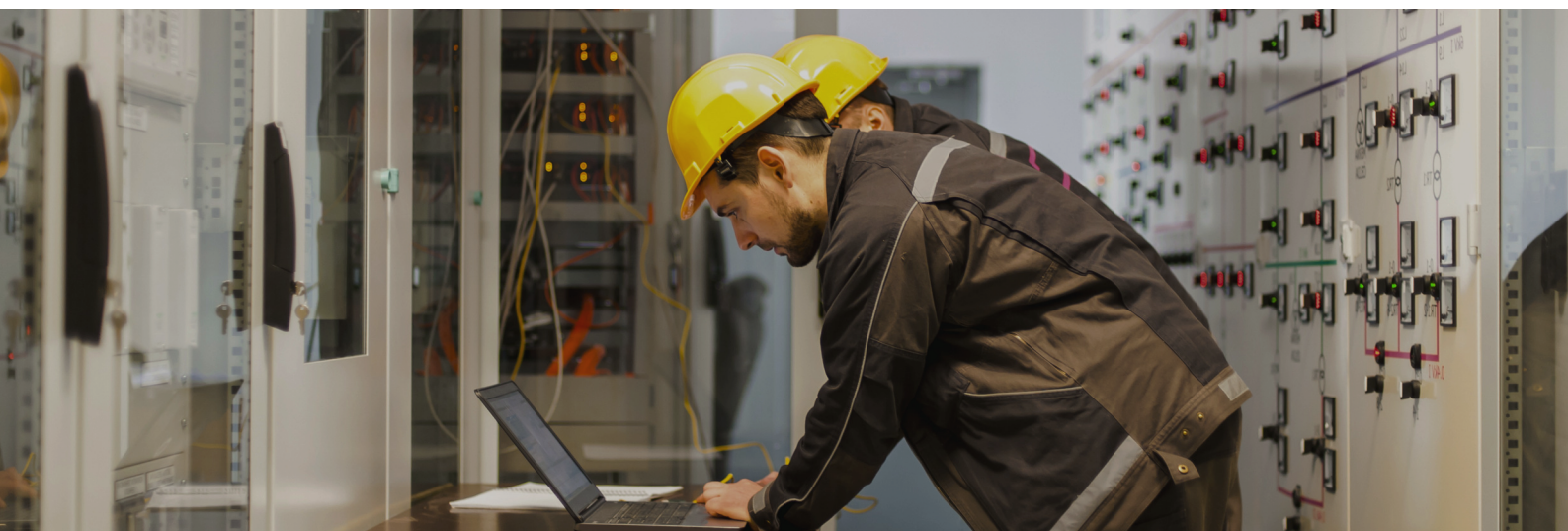
Recognize the financial impact on your business. Learn how to calculate the impact inefficiencies have on your bottom line.

ELIMINATE

Eliminate your inefficiencies. Learn solutions to removing your business's inefficiencies and unlocking cost savings.

ESTIMATE

Estimate your total cost savings. Learn how much your business can save by streamlining your materials purchasing and management process.



FREE

Find Inefficiencies

Learn how to find the inefficiencies in your materials purchasing and management process.

Find your inefficiencies

Inefficiencies in your materials purchasing and management process are often overlooked as a result of the same tasks being carried out the same way for many years. Once identified, these inefficiencies can be turned into great opportunities for cost savings.

In the first step of the **FREE** process, you will run a 30-minute exercise with your team, proven by best-in-class electrical contractors to uncover inefficiencies in your purchasing process.



Bring one member from each department together for 30-minutes:

- Leadership (e.g., Owner, CEO, Head of Operations)
- Project Manager and/or Purchasing (e.g., Purchasing Agent or Project Manager)
- Field (e.g., Superintendent or Foreman)
- Warehouse and/or Prefab (e.g., Warehouse Manager or Shop Manager)



Map out your current materials purchasing and management process:

On a whiteboard or piece of paper, create a flow chart of your current purchasing process. Start from a field requisition and map the steps of ordering materials from a supplier, having them delivered, and inputting POs, invoices, and delivery receipts into your accounting system.

See illustration on next page for an example of what your flowchart may look like.



Mark every point within the process where one of the following happens:

- Information is shared via paper, PDF, text message, phone, email, or excel.
- Data is manually transferred from one place to another (e.g. PO to accounting system).
- Areas that introduce the risk of human error.
- Any step where no standard process exists today (e.g. requisitions from the field to the office).
- How much time it takes to complete each task.



Did you know?

The average cost to process one PO for subcontractors is **\$68**.

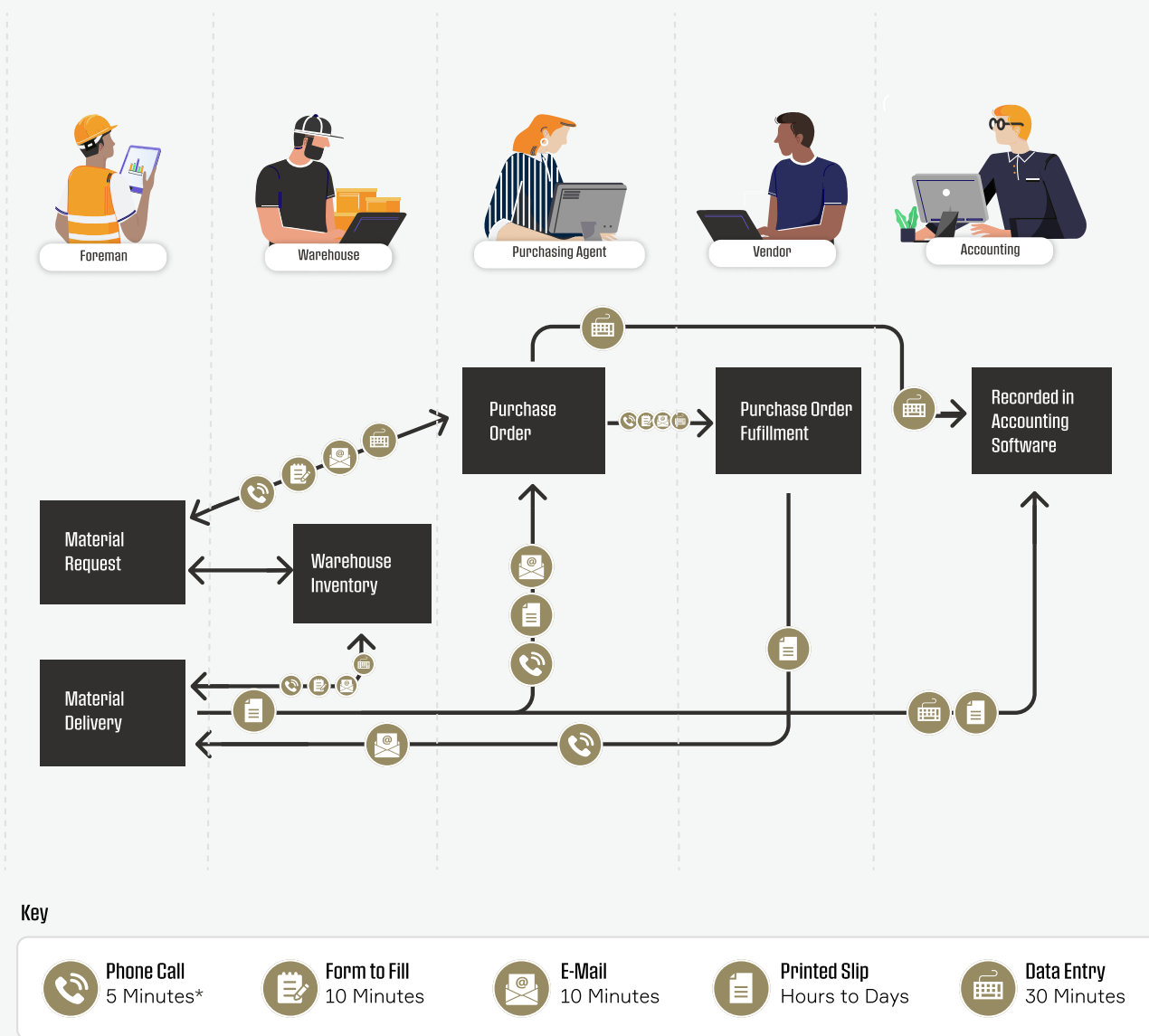
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The average electrical contractors processes 450 POs per \$1M in sales

A typical materials purchasing and management process

When speaking with thousands of contractors, we found the typical materials purchasing and management process is riddled with inefficiencies. Multiple stages of the process require manual data entry, back-and-forth communication, significant risk for human error, and sometimes, no process at all.

How does your process compare to this illustration?



*If a contact cannot be reached, it may take multiple attempts

FREE

Recognize the Financial Impact

Calculate and recognize the financial impact an inefficient materials purchasing and management process can have on your bottom line.

Recognize the financial impact on your business

Now that you've identified your purchasing process's inefficiencies, it's time to calculate its financial impact on your business. This step of the **FREE** process can be the most meaningful. Many roofing contractors have never calculated the overhead costs of time spent managing and purchasing materials.

How to calculate the financial impact:

Log and calculate the answers to the questions below

- How many foreman do you employ?
- What is the average hourly rate per foreman?
- How much time do your foremen spend on one requisition or PO?
- How many purchasing team members are responsible for processing requisitions, POs, and RFQs?
- What is the average salary of a purchasing team member?
- How much time does your purchasing team spend processing one requisition, PO, or RFQ?
- How many POs does your company process every year? ¹*(The average electrical contractors processes 450 POs per \$1M in sales)*



Did you know?

The average foreman spends **8 hours per week** managing materials.

FREE

Eliminate Inefficiencies

Discover solutions that eliminate overhead costs and streamline your materials purchasing and management process.

Eliminate inefficiencies

At this point, you've **F**ound the inefficiencies in your business and you've **R**ecognized their financial impact on your bottom line. Now it's time to **E**liminate these inefficiencies.

The first step to **E**liminating inefficiencies is to introduce consistency to your process, from a requisition to delivery.

The benefits of consistency

It removes ambiguity. Everyone understands their role in the process. It's very clear what each person is responsible for, how they should execute, and the impact they have on others.

It's measurable. When a process is consistent, it's easy to measure each step and identify areas for improvement.

It creates accountability. When there are kinks in the chain or something breaks down, it's much easier to identify the break. Did someone not follow the process correctly?

It's scalable. With a consistent process, it's simpler to take on more projects, handle a larger volume of orders, and increase your workforce. You'll know where to add additional headcount if you want to grow and you can be confident that new hires will plug into an established process.



Did you know?

Over the past 20 years, construction productivity has **grown at only 1% annually**. With software, productivity can grow exponentially.

Software brings consistency

In this day and age, the easiest way to create consistency is to utilize software. Software digitizes information, stores it onto one platform, makes it accessible to all stakeholders, eliminates the need for manual data entry, and removes human error. Software Eliminates inefficiencies.

By leveraging a materials purchasing and management software, you can bring consistency to your process, reduce office overhead costs, and increase labor productivity.

When assessing a materials purchasing and management software, look for a platform that emulates your existing process and solves for the areas you marked inefficient in your flowchart.

Your materials purchasing software should:

Bring all stakeholders onto one platform: Streamline the flow of communication and information between the field, office, suppliers, warehouse, and accounting.

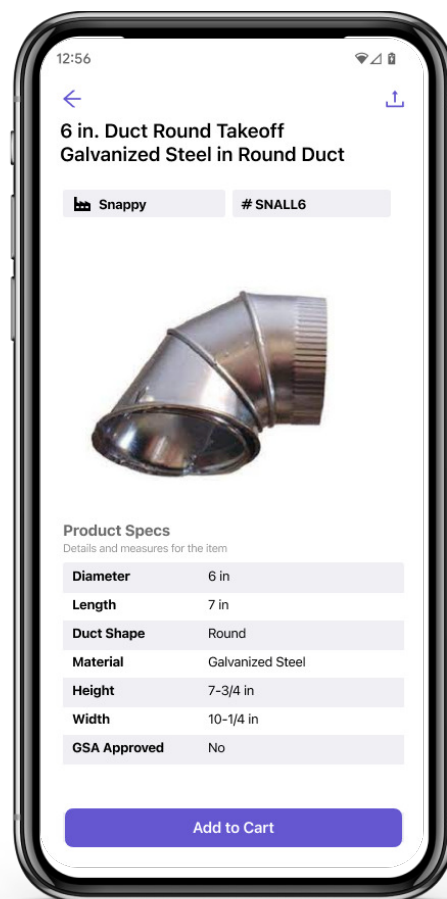
Simplify ordering for the field: Make it easy and quick for foremen to create and submit requisitions from the field. Provide your field teams a familiar Amazon-like ordering experience on their mobile devices.

Streamline the ordering process for office teams: Reduce the manual work of processing POs by allowing the office to receive field requisitions in a standardized digital format.

Send POs and RFQs to suppliers digitally: Quickly find which suppliers have inventory and the best price by automating the process of issuing RFQs and POs.

Track orders and deliveries in real-time: Remove uncertainty for field and office teams by providing visibility to when materials have been purchased, sent for delivery, and delivered to the jobsite.

Auto-populate POs into your accounting system. Prevent overpaying for materials and reduce manual data entry by allowing PO information to auto-populate into your accounting system via a bi-directional integration.



FREE

Estimate your cost savings

Estimate your materials savings from following the **FREE** process.

Estimate your total cost savings after removing inefficiencies

Now that you've Found the inefficiencies in your materials purchasing and management process, Recognized their costs, and found a solution to Eliminating them from your organization, it's time to Estimate the savings your new efficient process will have on your bottom line.

A robust, yet simple materials purchasing and management platform can bring your field, office, warehouse, accounting, and suppliers onto one platform, shorten your PO and requisition process by up to 75%, and save each of your foreman an average of 8-hours per month.

Figures below are based on the average electrical contractor with \$8 - \$10 million in yearly revenue. To calculate your own potential savings with Kojo, try our simple online calculator.

Average hourly rate per foreman:

\$80

Average salary of purchasing agents:

\$75,000

How many POs and requisitions do you process per year?

4000 POs

The typical electrical contractor processes 450 POs per \$1M in sales ²

How much time do your foremen spend on one PO or requisition?

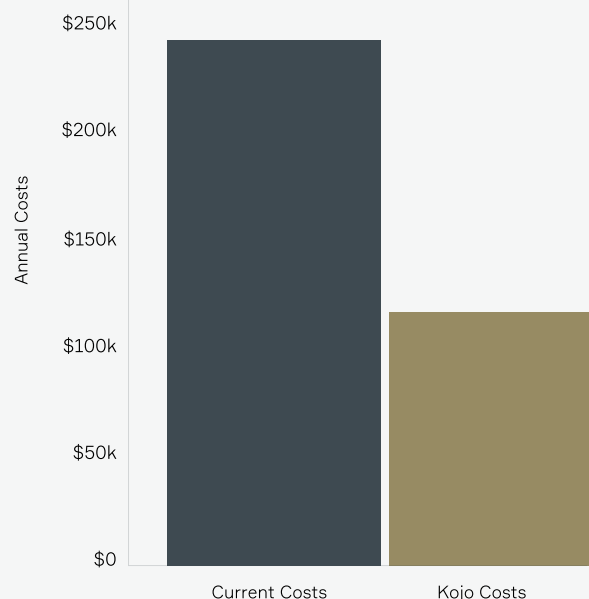
30 min

How much time do your purchasing agents spend on one PO or requisition?

30 min

Annual potential savings with a materials procurement platform:

\$117,228



FREE your business and increase savings and profits



Modernize your materials purchasing and management process today.

Bring your field, office, suppliers, warehouse, and accounting onto one collaborative platform, streamlining the PO, RFQ, accounting, and delivery process for Contractors.

Here's your opportunity to:

- **Reduce office overhead spent on materials by up to 50%,**
- **Save an average of 4% on materials costs**
- **Increase field productivity by up to 38%**

To learn more about Kojo, visit usekojo.com

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