Modernizing the Three Pillars of Your Warehouse Operations:

Materials, Tools, and Prefab

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Effective Warehouse Operations are Crucial for Project Outcomes and Profitability

Since 2020, several significant shifts in the construction materials world have had profound impact on specialty trade contractors' daily operations and future growth prospects.

These challenges put trade contractors under unprecedented pressure to improve operational efficiency in order to maintain margins and have the cash flow wiggle room to win more projects. The warehouse, though a central hub for operations, is often overlooked as contractors modernize the rest of their business. At Kojo, we have interviewed our 500+ customers and distilled a set of best practices for running your warehouse. We've found that the contractors who run a tight ship in their warehouses tend to excel at the following activities:

Organization:
Organization is your quickest path to efficiency. A well-designed warehouse layout maximizes space utilization, while a well-maintained "ledger" for your inventory streamlines workflows.

Standard Operating Procedures (SOP):
A robust SOP serves as a foundational checklist for your employees and even suppliers, and ensures everyone follows the same process consistently.

Forecast:
Plan better by using historical data and market trends to forecast demand accurately and plan inventory levels accordingly to avoid stockouts or excess inventory.

Field Collaboration:
Provide transparent communication with the Field to minimize inventory storage time and get materials to job sites faster.

Training:
Invest time in training so warehouse personnel are equipped with the right skills, and to foster a company culture of continuous improvement.

For many contractors, Warehouse operations consist of three areas: **materials inventory, tools, and prefab**. Let's take a deeper look at how to improve workflow efficiency for each of these areas.

40%
Rising material costs
Nonresidential construction input costs have surged by nearly 40%.
U.S. Bureau of Labor Statistics Producer Price Index

12-16 week
Transit delays
Contractors face frequent transit delays, waiting 12-16 weeks for materials that previously took 2-4 weeks.
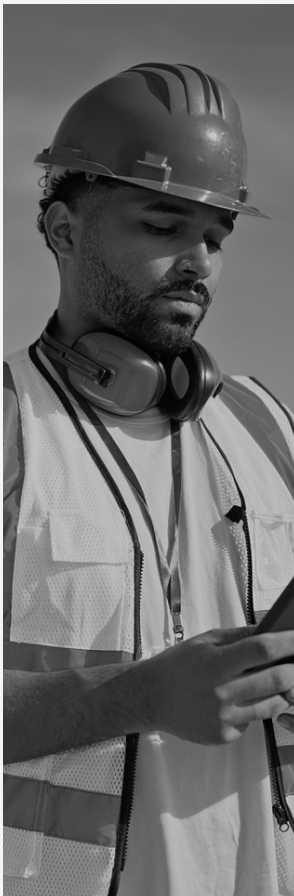Construction Drive

20%-30%
Carrying cost increase
inventory carrying costs can range from 20% to 30% of the overall inventory value annually. Overordering adds to these costs by tying up capital in excess inventory.
QuickBooks

46%

of small businesses with up to 500 employees either don't track inventory or use a manual method.

Wasp Barcode Technologies Study

Materials Inventory Best Practices

Over 60% of Kojo's trade contractor customers manage some or all of their materials inventory in-house. If you're also in this league, your Field crew and Purchasing team both need to track inventory levels to know what materials are on hand and what needs to be ordered. Poor inventory management can lead to unnecessary purchases and waste. According to a study by Wasp Barcode Technologies, 46% of small businesses with up to 500 employees either don't track inventory or use a manual method. To level up your inventory management, focus on three key areas:

⊙→ Focus Area 1:
Gain Visibility into Inventory & Utilization

Too many contractors we speak to lack visibility into what's sitting on their warehouse's shelves. They end up purchasing materials they don't need and increasing job waste. Improving visibility is one of the easiest ways to improve your planning but it's also dependent on having a good inventory tracking system or software in place.

For example, Kojo's Materials Inventory product is designed to provide teams across the business real-time visibility into general inventory as well as job-specific stock from anywhere, at any time. Contractors can add all inventory into Kojo using the bulk upload feature, and Field teams can directly request available materials from the warehouse inventory and receive on-the-go delivery status updates. Any leftover materials on job sites can be easily sent back to the warehouse and tracked in real time.

Regardless of what inventory tracking solution you choose to use, here are a few tips:

Name inventory items in a Field user-friendly way.
The Field team should be able to find the items they need using vocabulary familiar to them.

MATERIALS BEST PRACTICES

Achieve cost savings by prioritizing the use of in-stock inventory, preventing double-buying, and mitigating supply chain delays with automated warehouse sourcing.

Gain Visibility into Inventory & Utilization (continued)

Create tags for inventory categories.
The categories and tags should align with how the Field and Purchasing teams think and speak, in order to help them find items faster.

Reduce side-loaded requests when possible.
Consistency is key to reaping the benefits of any workplace software. When you roll out a new process for tracking and requesting inventory, some change-resistant team members might try to go around it. It's worth using both "carrots" and "sticks" change management tactics to minimize this behavior, because enforcing your new SOP consistently will be more efficient and accurate in the long run.

> "
> In the past, there were jobs that we were looking at but didn't take, because we were unsure whether we would be able to fill the order. But when we were able to see what we had in inventory, we knew we could start those jobs in a timely manner, and that was a game changer for our business.
> "

Gary Phillips, *President*
Premier Service Company, Inc.

MATERIALS BEST PRACTICES

Create a digital twin of your warehouse layout in your inventory management system for better alignment and efficiency.

⊕ Focus Area 2:

Leverage Inventory to Lower Procurement Costs

Once your teams have real-time visibility into your inventory, you can achieve significant cost savings on materials by making a few changes:

Prioritize usage of in-stock inventory
Reduce costs by making it a standard practice for the Field and Purchasing teams to "order" from your warehouse first. This practice prevents double-buying things you already have. In addition, automating sourcing from your warehouse can help mitigate supply chain delays for certain materials.

Enable low stock alerts
To reduce costly last-minute orders, set up alerts in your inventory management software when inventory gets low.

Leverage bulk orders for general stock
Many suppliers offer meaningful discounts on bulk orders. When you know what's in your warehouse, you know how much you can store from bulk orders. Transparency and visibility between Field, Purchasing, and the warehouse also give you confidence that these bulk ordered items will actually be used.

⊕ Focus Area 3:

Integrate Warehouse's Physical and Digital Operations

Create a digital twin for warehouse layout.
Create large printed maps of your warehouse layout, and map that same layout to the digital inventory management system you use. This may sound obvious, but it's a step often overlooked among the contractors we interviewed. Matching offline and online information hierarchies will make it faster and easier for both pickers and receivers to do their jobs.

Train your employees on warehouse best practices.
Create a Warehouse SOP to outline how you want all teams to interact with the warehouse, and if you are using inventory management software, how employees should use that. Having a formalized warehouse training program is especially beneficial for speeding up new employee onboarding.

Tool Tracking Best Practices

Tools and equipment are among your most expensive business assets, yet many contractors lack visibility into the condition, location, and current user of each tool. Not having a consistent way to sign tools in and out and the absence of a digital chain of ownership can lead to theft and breakage. Tool servicing and maintenance should be managed carefully, since your Field crew can't get the job done if they don't have working tools when they need them. Furthermore, your Finance team requires detailed tool usage and maintenance records in order to accurately account for these assets' costs.

Advice from Kojo customers who are on top of their tool-tracking game:

Implement a formal tool tracking process:
Establishing a structured process to monitor tools' whereabouts and assignees significantly reduces tool waste and loss.

Train your team on the process, and enforce it:
Properly train your team on the tracking process and consistently reinforce its importance. Consider implementing disciplinary actions for non-compliance; some Kojo customers go as far as terminating employees who do not adhere to documented procedures. Consistent enforcement is crucial for establishing credibility.

Run tools through your shop:
Centralizing tool returns and inspections through your warehouse team ensures tools are maintained in good condition. They can also facilitate repairs as needed.

Implement barcode & ID systems for medium-to-high-value tools:
The value of all those impact drills adds up quickly! Applying unique IDs and barcodes helps track the whereabouts and lifecycle of expensive tools and equipment, ensuring accountability for their use. Using similar identification for lower-value items such as screwdrivers or hammers is even better, but at least start with the higher value items.

Leverage technology to track and manage your tools:
Software solutions like Kojo provide real-time tool location tracking, enable field teams to request tools efficiently, and manage tool lifecycles seamlessly.

Tag high-value equipment with GPS trackers:
Utilizing GPS tags on your most valuable items provides precise location data, minimizing the risk of tool loss or misplacement. Kojo's Tool Tracking feature stores comprehensive geolocation histories of each piece of equipment for enhanced security and accountability.

Track tool servicing and maintenance:
Whether it's routine inspections or repairs, you can use apps like Kojo to set up automated maintenance reminders and track service notes. These records are invaluable for warranty claims and audits.

Charge your jobs for tool usage:
Once you know the time and duration that tools are used on job sites, you can recoup those costs by billing the jobs for tool usage.

> Tracking tools is a constant struggle. Having the ability to use the Kojo app to sign in and sign out tools is extremely beneficial to our business.
>
> **Steve Flores, General Manager, Lumix Electrical, Inc.**

Prefab Best Practices

Despite the substantial initial investment required to set up prefab and its potential to increase operational efficiency, improve build quality, and reduce material and labor costs, many contractors still rely on rudimentary methods such as Excel spreadsheets and PDF catalogs to manage prefab workflows. As a result, the prefab function is often siloed and not leveraged to its fullest capacity.

To fully capitalize on your prefab investment, it's essential to integrate your prefab shop into the broader business. Here are a few tips:

Catalog your prefab items for organization and easy access.
For many Field teams, the only way to learn about prefab availability is by attending team meetings—if they miss a meeting (or zone out), they're out of the loop. Some contractors resort to ordering prefab materials from the 3D BIM drawings during each building phase. Both methods are unreliable and error-prone. Establishing a formalized, digital prefab catalog that's accessible to all team members is the best way to ensure consistency and accuracy in field ordering.

Give your Field teams real-time visibility into the status and availability of prefab items.
Field teams should be able to order prefab materials right to the job site in the same way they order any other type of materials. They should be able to track production every step of the way, and know exactly when they can expect the prefab items on job sites. Software solutions like Kojo that already connect Field teams with warehouse inventory can easily address this very similar workflow between Field and the prefab shop.

Digitize communications between prefab and Field teams to prevent costly mistakes.
Kojo's Prefab features enable teams to upload custom prefab images and define facets and parameters at a line item level, minimizing misunderstandings and ensuring adherence to project requirements.

Equip your prefab shop with modern technology.
The more orders your prefab shop receives, the harder it is to deal with operational overhead. Help your prefab team manage their queues efficiently and automate repetitive workflows with digital tools.

20%-50%
Time reduction
Prefabrication can reduce construction times by 20-50% compared with traditional on-site methods.
McKinsey & Company report

89%
Of contractors incorporate prefabricated or modular components into their projects.
National Institute of Building Sciences

85%
Of contractors are forecasted to increase their use of prefab over the next five years.
The Modular Building Institute

Setting Up Your Warehouse for Success Benefits Everyone

Optimizing warehouse operations can give you a significant competitive edge across all facets of your business:

Purchasing Teams benefit from enhanced transparency into warehouse inventory. With real-time visibility and automatic low-stock alerts, they can efficiently manage stock levels, minimize stockouts, and streamline the procurement process. This transparency enables informed decision-making and ensures materials are always available when needed.

Field Teams gain the ability to independently request materials and tools directly from the warehouse. This ability to self-serve not only speeds up the delivery of essential resources to job sites but also facilitates the return of unused materials. By empowering Field teams with streamlined access to warehouse resources, your company's operational agility and project execution will both improve.

Finance Teams benefit from accurate, real-time knowledge of inventory value. By leveraging these insights, Finance teams can optimize cash flow management, forecast budget allocations more effectively, and capitalize on cost-saving opportunities through strategic bulk and advance ordering. This proactive approach ensures financial efficiency and supports overall project profitability.

To see how Kojo can help address your specific warehouse needs, please contact us via this form. Let Kojo empower your team to achieve greater efficiency, transparency, and profitability in every project.

About Kojo

Kojo is the construction industry's leading materials and inventory management platform.

Kojo enables trade and self-perform general contractors to streamline every step in the procurement and inventory management process from takeoff to closeout. By connecting field, office, warehouse, accounting, and vendors teams on one software platform, Kojo gives contractors visibility into real-time materials spending and usage, helps them source the best prices and availability across suppliers, reduces material waste, and increases labor productivity.

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