

# PREVENT PROFIT FADE: THREE WAYS TECHNOLOGY CAN INCREASE JOB PROFITABILITY

By Josh Stearns

The bidding process at the beginning of a construction project might put a big smile on the owner's face upon seeing the profit margin, however; at the end of the project, that smile may have slowly transformed into a frown projecting a noticeable look of confusion. Why? Because profit fade, the difference between the perceived profit and the actual profit, can be significant.

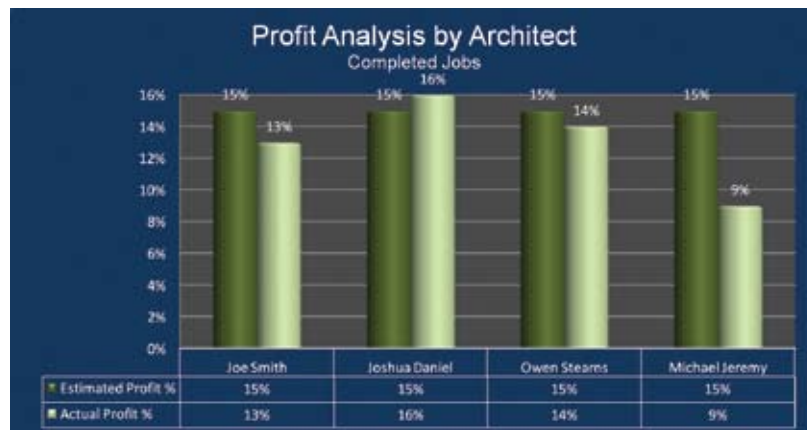
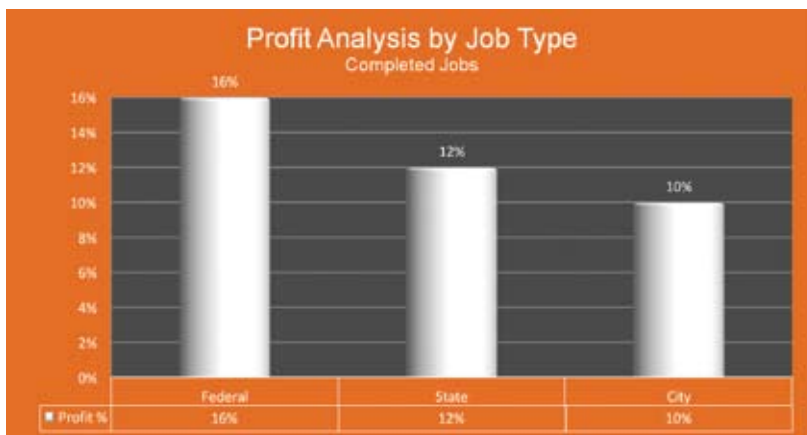
There are a variety of reasons why the estimated profit and the actual profit fluctuate. Maybe the initial plans were bad and the owner wasn't willing to approve necessary change orders. Maybe the project manager miscalculated the estimate to complete during the project. Maybe weather delayed the project more than expected. Maybe the estimator missed an item on the bid.

Sound familiar? Even if contractors have been in construction for even a short amount of time, they have more than likely come across a similar situation that negatively impacted the profit of a project. So how do they outsmart profit fade and prevent profit margins from shrinking? They use technology to their advantage.

## CONSTRUCTION-SPECIFIC SOFTWARE

If contractors are still using generic accounting software for their construction businesses, it's time to consider investing in construction-specific software instead. Running a commercial or industrial construction company is complicated and this type of software is built to handle exact (complex) needs. Construction software allows contractors to streamline accounting and operations, saving staff time, reducing the opportunity for human error, and providing the contractor with the ability to track the progress of projects quickly and easily. Construction software consists of a variety of user-friendly features beyond basic accounting that can help increase profitability.

For example, when it comes to minimizing negative profit fluctuations on jobs, construction software can be a useful tool. The first step is determining where problems are starting. In AccuBuild Construction Software, this historical information exists in the Job Cost Accounting system, that way contractors can access easy-to-read dashboards to help them analyze and identify these problems.



## ABOUT the AUTHOR

Josh Stearns, an expert in both hardware and software technology, is the vice president of AccuBuild Construction Software. While his main responsibilities include overseeing the company's marketing efforts, he is deeply involved in the design, development, and implementation of the company's software. He can be reached at [josh@accubuild.com](mailto:josh@accubuild.com).

Here are three key ways to analyze profit fluctuation on projects.

**1. Sort job profitability reports by project manager, estimator, or superintendent.**

The example shows profit margins by project managers. This dashboard or report combines all the jobs that all project managers have completed and averages the profit percentage for all the jobs. This feature allows the contractor to quickly identify what percentage of profit a project manager actually makes.

This information provides an ideal overview of how project managers are performing, thus impacting profitability. For example, if all of the projects are bid at a 15-percent profit and Project Manager A averages an 8-percent profit, but Project Manager B averages a 17-percent profit, what are they doing differently? Can Project Manager B teach Project Manager A how to more effectively manage his jobs?

**2. Analyze job profitability by owner, general contractor, architect, or inspector.**

Similar to the previous example, this dashBoard also takes all completed projects from the Job Cost Accounting system and groups them by owner, general contractor, inspector, or architect.

The example shows job profitability sorted by architect. When bidding new projects, this information can help a contractor decide which projects to bid and how to adjust the profit margins on those projects.

**3. Analyze profit by type of work or geographical location.**

If different types of work such as private, city, state, federal, commercial, or industrial projects are completed by the contractor, analyzing which type of work is most profitable can help identify where to focus efforts on securing work. The example shows that companies do better on federal jobs than state or city projects.

Analyzing these metrics not only helps contractors make the most amount of profit, but they identify where the strengths as a contractor are, which not only helps the bottom line, but also helps better serve customers and build an outstanding reputation.

By utilizing the technology available to construction companies, contractors can more easily manage profit fade.

Understanding the reporting technology of Job Cost Accounting software will help identify where to make the most amount of profit and create the perfect job for the organization. Once these criteria have been identified, contractors can focus efforts on securing these types of profitable jobs. ■

**NOT ALL CONTRACTORS' FACTORS ARE THE SAME AND THESE METRICS SHOULD BE CUSTOMIZED TO WHAT THE PARTICULAR REQUIREMENTS ARE.**

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