

Cheat Sheet - BUILDERS!

These are principles which will assist every building company become more profitable:

Income and profitability

Profitability increases in line with revenue

A general rule is that cost of goods (COGs) tend to decrease as volume increases, however this is not the case when significant amounts of work is externally subcontracted driving COGS higher. Also, stop making decisions driven by your cash-flow needs. Focus instead on fixing your cash-flow issues, allowing you to take on only profitable business.

Productivity

Focus on increasing your staffs' productivity levels

High staff productivity levels are important because they work to keep wage costs in check. With increases in revenue, the money spent on staff wages should decrease through better productivity causing profit levels to rise. Higher staff productivity will also make other overheads (such as rent and other fixed costs) lower.

Expense analysis

Look to spend a lower percentage of revenue as your revenues increase

You can't 'save your way to success' but understanding, analysing and optimising the amount of money you spend will go straight to your bottom line. Take time to reassess and possibly reduce the business' expenses at every opportunity.

Staffing

The most profitable businesses have higher levels of staff gearing

The mix of owners versus employees can help to deliver higher levels of profit per owner. In short, more people working productively will create more revenue and profit. That additional profit is shared by comparatively 'few' owners, so the profit per owner rises.

Marketing

Know which customers are your 'A' grade and focus only on them

Specialising in the most profitable market niche will propel your business to glory – and greater profitability!!