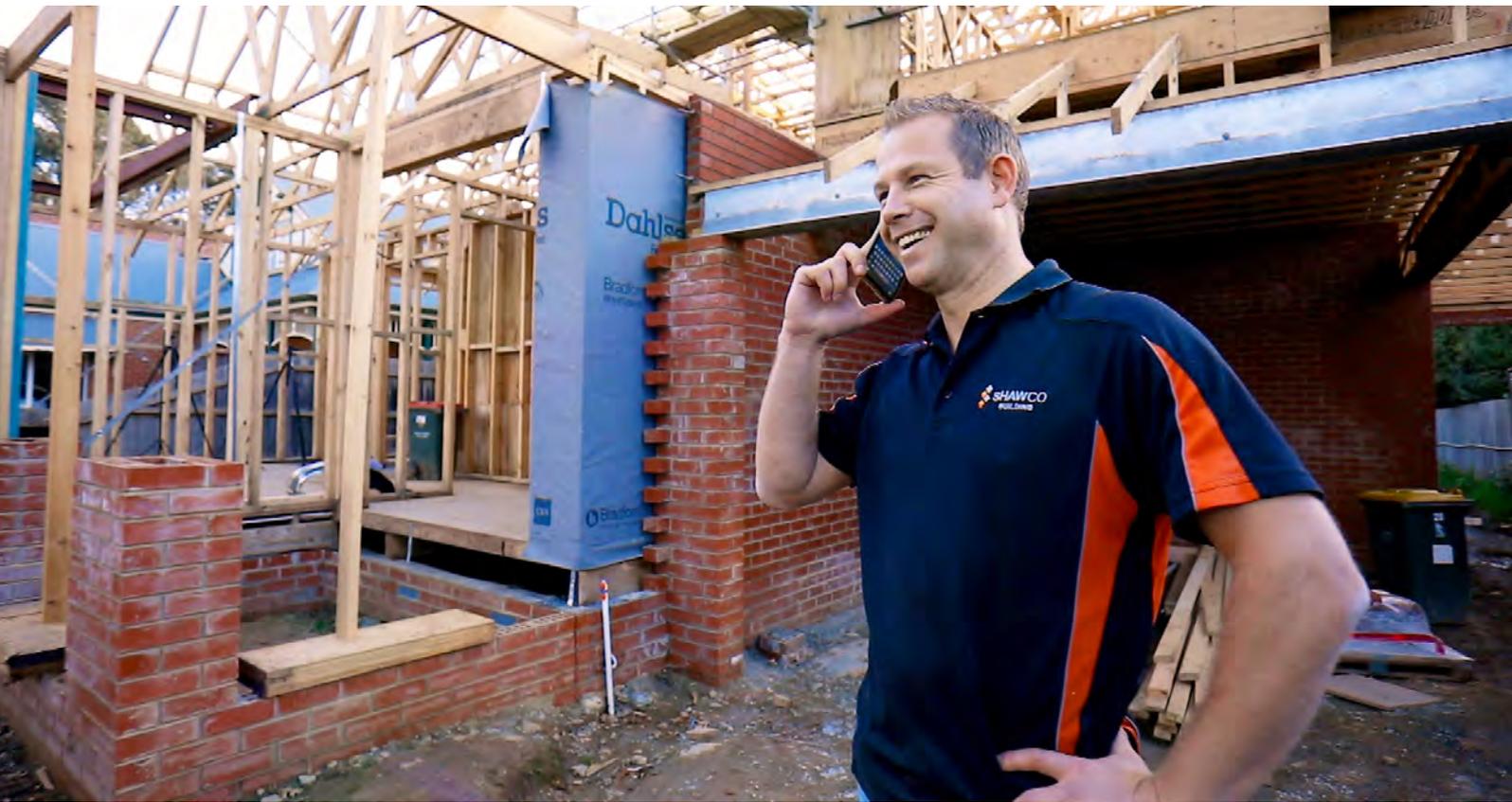


eBook

3 STEPS TO A PROFITABLE SUPPLIER RELATIONSHIP

'How can I boost my profits?'

Today's home building industry is tough. Successful builders must work with their suppliers to stay ahead.



Given the current economic landscape of extreme inflation, record price volatility, and ongoing labor shortages, it is increasingly difficult to decide which supplier is the best fit for your company.

It's no surprise that jobs are most profitable when builders have suppliers willing to do the work necessary for an efficient and strong relationship. Your best supplier is one who shares the same end goal—to complete a successful project for the homeowner.

Studies show a strong and communicative relationship between you and your supplier can make

your business more profitable while improving efficiencies, particularly when it comes to providing your customers with quick and accurate bids that help you win jobs.

Buildxact and The Farnsworth Group recently conducted a study to identify current trends, including best practices between builders and suppliers.

This eBook offers three major topics that you can use to improve how you and your suppliers can save time, keep on top of material price changes, and ultimately maximize job profitability.

1

Improve your response time

Remember, time is money. Team up with your supplier to deliver accurate quotes faster.

How can builders and suppliers break the cycle of wasted time?

Time is an essential factor in the home building industry. The time you spend sending and receiving information from your suppliers affects how fast you respond to your customers.

The Buildxact/Farnsworth Group study finds that traditional communication practices, like

emailing and back-and-forth phone calls with your supplier, currently take an average of 19 hours per week, per quote!

The Builder's Bid Cycle



Of the builders surveyed in this study, 54% of them said that response time from their pro supplier has a direct correlation to the amount of time it takes them to provide bids to their customer. As a builder, you know that the speed

at which you can send a comprehensive bid to your customer can make or break a deal. So, your relationship with your pro supplier is important—especially when you need material prices readily available.



Lockdown your prices

Work closer with your suppliers to minimize the impact of uncertain costs

What do builders stand to lose if they don't cultivate an efficient relationship with their suppliers?

Material delays in the home building industry are extremely commonplace. The average cost per day for a builder or renovator for each day material is delayed is approximately \$1,174.



\$1,174

Average costs per day for material delays



Builder
\$1,508



Renovator
\$839



4 days

Average average time due to material delays



\$5,000

Average cost of delays per project
(Rounded figure)

You must decide how much of these price increases pass on to your customer. Smaller builders often must pass on a larger share of a cost increase.



32%

Average percent of price increase that passes to the customer



Medium builder
28%



Large builder
29%



Small builder
39%

Annual Sales

- Small = <\$1.5MM
- Medium = \$1.49MM - \$5MM
- Large = \$5MM<

Per Buildxact/The Farnsworth Group Study

Builders and suppliers need to work together to reduce material delays and the resulting price increases.

More predictable pricing means happier customers and more profits for you!

When supplier prices are predictable, builders and renovators say they can better mitigate the impact of price increases on their customers. However, most expect they will still continue to pass on at least some price increase to their customers.

9/10
builders utilize methods to mitigate price fluctuations



60%

of builders include a material increase clause in their customer quotes

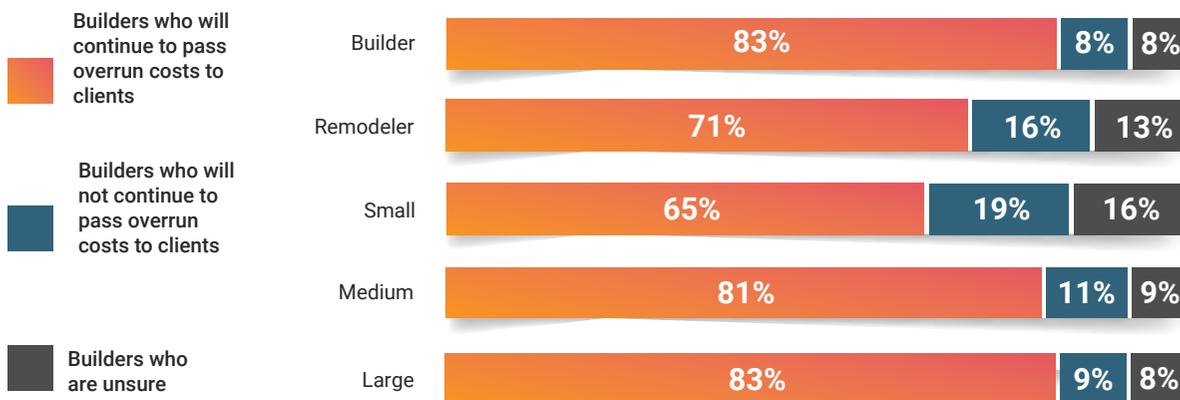
47%

of builders markup bids by a specific percentage

46%

of builders offer bids valid for a short period of time

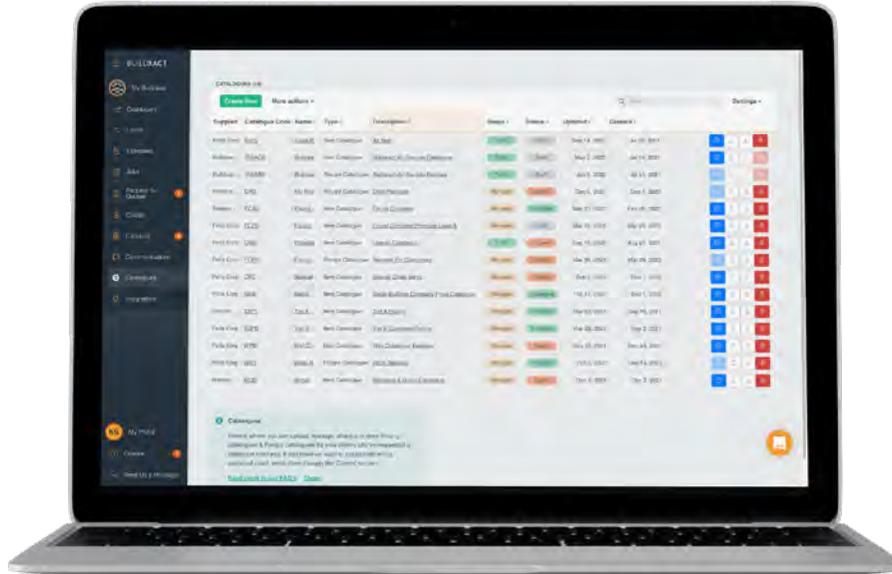
Builder Price Fluctuation Insulation



However, potential customers may turn away from higher prices or inserted clauses. To counter this obstacle, getting a solution between you and your supplier is critical.

pricelists as well as responsive service from your supplier allows you to react quickly and advise your customers as soon as possible about fluctuating material prices.

With the challenges of markups and rising costs, the ability to quickly monitor current material



Buildxact offers easy-to-use supplier price list integration.

Suppliers such as *Central Valley* have integrated their price lists into the Buildxact platform to make sure that their builders have the most accurate material pricing anytime of the day. You should ask your favorite supplier if they offer integrated pricing with Buildxact so that you can bid jobs faster.



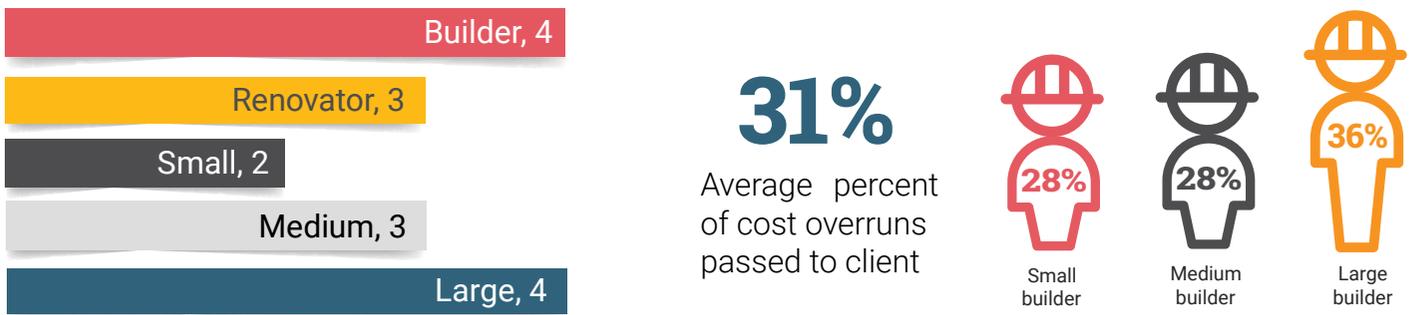
3

Adapt to changes

Solve change orders quickly to reduce project overruns.

Change orders are another costly hurdle for builders and renovators. How can builders prevent or manage change orders?

Our study shows that, on average, builders have four change orders per job while renovators must modify their plans an average of three times per job.



Change orders can generate a lot of costs for the residential home builder. Our study finds that projects are delayed for about three days on average. One-in-five projects go through overruns while the same percentage applies to the cost increase per project.

3 days

Average # of days projects are delayed due to change orders

20%

Average percentage of projects with cost overruns

21%

Average increase in project costs due to cost overruns

Builders are currently absorbing 69% of these cost overruns and must pass the remaining 31% of cost overruns onto the customer. To remain profitable and keep a transparent relationship with their customers, builders need to immediately reduce the number of cost overruns.

To prevent or manage cost overruns, you need to be agile in responding to changes – whether it is on the customer side or with suppliers.

Getting on top of workflows, tracking costs and having a comprehensive overview of your management processes will improve your business' profitability and efficiency.

You can do this by implementing a system or platform where you directly communicate with your suppliers and access their updated price lists in real-time.

In summary, here are three ways you can work with your supplier to be more efficient and profitable.



Time is money

Improve response times between you and your supplier so that you can deliver bids faster



Lockdown your prices

Work closer with your suppliers so that you don't need to transfer costs to customers



Adapt to changes

Solve change orders quickly to reduce project overruns

Connect with your supplier

Any successful project is a team effort. See how builders and suppliers can get the job done working together.



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