



THRIVING SURVIVING

**3 WAYS JOB COSTING MATTERS
AND HOW TO DO IT RIGHT**

SIMPRO®

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INTRODUCTION

HOW JOB COSTING SHOULD SHAPE YOUR BUSINESS STRATEGY

In Good Times and Bad

Effective job costing goes beyond managing the daily operations of your electrical, plumbing, HVAC, or low-voltage business. It helps your business take a proactive approach to finances instead of just reacting to unexpected costs.

Job costing provides a clear picture of your costs and profits, helping you anticipate and manage fluctuations in labor costs and variable material costs. This valuable information empowers you to make informed decisions that fuel growth and innovation, whether times are good or your business is in a slump.

This eBook is your guide to nailing job costing. You'll get practical steps to apply job costing techniques in the good times and strategies to keep your finances stable during the tough times, helping you to:

- 1. Maximize productivity**
- 2. Optimize inventory and materials**
- 3. Improve profit and loss visibility**





JOB COSTING TO

1 MAXIMIZE PRODUCTIVITY

Job costing is the key to maximizing the potential of your trade and field service business. By tracking and allocating resources to specific jobs or projects, you ensure every dollar counts, boosting efficiency and expanding your decision-making capabilities.

In good times, job costing helps you maximize labor and productivity. You can use it to identify top-performing individuals, get them performing specific job types, refine your growth strategies, and ensure consistent quality and profits. Advanced tools can help you maintain high labor efficiency as your business grows while providing clarity on the labor costs associated with each job. This allows you to have a better understanding of your expenses, such as materials, parts, or equipment and avoid unexpected costs.

In tough times, job costing can reveal opportunities to improve efficiency and make the most of limited resources. By carefully tracking labor and material costs, you can maintain high standards without underestimating costs. Research has shown that workers often perform better during challenging times, making every hour of their effort count. This makes job costing even more essential when your business suffers a slump.

Sources

OECD Compendium of Productivity Indicators

U.S. Bureau of Labor Statistics

What To Do **WHEN BUSINESS IS BOOMING**

Monitor Labor Efficiency: Use time tracking tools to keep an eye on task duration and spot ways to improve efficiency.

Evaluate High-Performing Teams and Individuals: Find your best teams and personnel, figure out what works, and spread those practices around.

Strategic Workforce Planning: Use job costing data to get a clear picture of your labor costs and project needs. This helps you train and upskill individuals for top productivity.

Regular Training and Development: Provide training to improve technical skills and customer service knowledge. Promote industry workshops for continuous learning.

Implement Quality Control Measures: Set and enforce quality standards to ensure work is done right the first time. Adjust quality control measures regularly to keep customer satisfaction high and wastage low.

Use of Productivity Tools: Adopt job costing and project management software, and train your staff to get the most out of these tools.

Predict Material and Parts Costs: Track material costs to better predict future spending. For example, plumbing companies may monitor the price of pipes and fittings, while low-voltage and electrical professionals may track conductors and cables.

What To Do **WHEN MONEY IS TIGHT**

Detailed Job Cost Review: Review projects regularly to find cost-saving opportunities without skimping on quality. Use past data relevant to labor cost, variable material cost, and other key job aspects to spot inefficiencies.

Optimize Staff Allocation: Adjust your staffing to match your workload, considering part-time or contract roles. If you haven't already, track labor costs carefully to ensure accurate job costing during slower periods.

Enhance Employee Productivity: Focus on key tasks that generate revenue, use performance metrics to boost efficiency, and give targeted feedback.

Cross-training Employees: Set up a cross-training program to increase skill versatility and hold regular updates to keep skills sharp.

Implement Lean Operations: Use lean principles to cut waste and improve customer value, continuously refining processes for better efficiency. Look at past information about material costs to produce more accurate cost estimates and ensure you're making a healthy profit margin on each job.

Technology Utilization for Efficiency: Invest in automation for routine tasks and train staff to maximize productivity from these technologies. The more efficient you are, the better you can assign labor costs for current and future projects.

Regular Financial Reviews: Conduct monthly financial reviews using job costing data to guide cost-cutting while maintaining core operations.



JOB COSTING TO

2 OPTIMIZE INVENTORY AND MATERIALS

Job costing is critical for managing inventory and materials. It provides electrical, plumbing, HVAC, and low-voltage businesses with clear insights into material usage and costs, helping to control inventory, reduce waste, and assign resources efficiently.

For example, plumbers must closely monitor material costs for items like copper piping, PVC, fittings, and water heaters, which can fluctuate due to supply chain issues, market demand, and regulatory changes. As variable costs can be hard to predict, it is essential to budget carefully and plan ahead to avoid overspending, inefficient resource use, and conflicts with labor scheduling that can harm profitability.

When business is good, it's easy to let inventory costs creep up. Job costing helps you manage materials efficiently by tracking the cost of stock, forecasting future needs, and proactively cutting down on overstock. This precision saves money and prevents wastage, allowing you to reinvest those resources into growth. The U.S. Census Bureau reports that managing inventory levels is vital to avoid tying up capital unnecessarily. In tough times, every penny counts, so monitoring material costs is crucial. Job costing helps you keep a close eye on material expenses, to avoid overbuying and prepare for fluctuating supply costs. By accurately tracking and allocating material costs, you can manage your budget more effectively and maintain stability when financial pressures are high. This approach ensures your operations stay efficient, even as material costs change.

Sources

Manufacturing and Trade Inventories and Sales

Working Capital Behavior of Firms during an Economic Downturn: An Analysis of the Financial Crisis Era

What To Do **WHEN BUSINESS IS BOOMING**

Optimize Stock Levels: Use job data and automated reordering to avoid overstocking/understocking and help with just-in-time practices tied to job scheduling.

Improve Forecasting: Use historical data and predictive analytics to calculate inventory needs and manage variable material costs. For HVAC companies, tracking expenses on items like air filters, blower motors, condenser coils, or thermostats helps predict project spending.

Labor Cost Tracking: Accurate forecasting should account for labor since the number of workers affects material usage and overall project efficiency.

Vendor Management: Maintain strong relationships with multiple suppliers for reliable, competitive supplies. Regularly review and renegotiate terms to ensure you're getting the most out of your agreement.

Leverage Technology: Implement field service management software to record and report on material costs.

Continuous Improvement: Refine strategies with new tech and best practices, and keep staff trained and engaged.

What To Do **WHEN MONEY IS TIGHT**

Monitor Material Costs: Implement a system or software to ensure material prices are always up-to-date so job estimates reflect current market rates.

Negotiate with Suppliers: Negotiate better prices or payment terms with suppliers to achieve lower variable material costs. Explore bulk purchasing agreements, ensuring they fit your storage capabilities.

Use Demand Forecasting: Proactively analyze sales data and market trends to accurately predict future demand and prevent excess stock and shortages. This will also help you anticipate and manage changes in material costs.

Use Demand Forecasting: Analyze sales data and market trends to forecast demand accurately, avoiding excess stock and stockouts.

Leverage Technology for Better Visibility: Invest in field service management software for real-time insights into stock levels and material usage. Tracking this data helps align labor and material costs, boosting efficiency and reducing waste.

Train Employees on Inventory Best Practices: Educate your team on accurate inventory tracking and cost control, and train them on new technologies and procedures for efficiency.

JOB COSTING TO

IMPROVE PROFIT AND LOSS VISIBILITY

Job costing breaks down costs and revenues by project, giving electrical, plumbing, HVAC, and low-voltage businesses a clear view of what's making money and what's not. This detail helps identify profitable ventures and problem areas, leading to smarter financial decisions and strategic adjustments for better overall profitability.

When business is booming, job costing reveals profit margins, showing which jobs are the most lucrative. This visibility helps you decide where to allocate resources, which individuals and teams are best suited for specific jobs, and which services to expand to strengthen your financial health and market position. Studies show that job costing boosts profitability by highlighting the financial performance of individual projects. This allows field and trade service businesses to better plan where to put their time and resources while also proactively estimating labor and material costs.

When business is slow, knowing exactly where your money is coming from – and where it's going – is essential. Job costing pinpoints both profitable and resource-draining areas, allowing for accurate estimates, quotes, and proposals and smarter resource use. Research shows that activity-based costing, which assigns costs based on the specific activities involved, is effective in service sectors. It helps businesses understand and track costs and profitability, especially during economic downturns.

Sources

How Job Order Costing Boosts Profitability and Paves the Way for Business Growth
Activity-based costing in services: literature bibliometric review



What To Do **WHEN BUSINESS IS BOOMING**

Analyze Profit Margins by Job or Service: Use job costing data to see which services have the highest margins. Focus on expanding high-margin areas and adjusting prices or costs for the low-margin ones.

Revisit Labor Spend: To achieve new goals or expand into new markets, track labor costs to ensure you have the workforce and budget to support profitability.

Resource Allocation Decisions: Dedicate resources based on profit margins, focusing labor and investment where returns are highest. Plan for variable material costs to protect your budget and boost profitability.

Develop and Refine Pricing Strategies: Adjust pricing based on a thorough analysis of costs and profitability. Use dynamic pricing to maximize revenue during peak times.

Regular Financial Reviews: Review your business's health and strategy effectiveness regularly. Use these reviews to refine forecasts and make informed decisions.

Leverage Financial Analytics Tools: Implement advanced analytics to examine cost drivers and profit trends more thoroughly. Use predictive analytics to anticipate market changes and potential variable material costs, adjusting your strategy accordingly.

What To Do **WHEN MONEY IS TIGHT**

Regular Profit and Loss Reviews: Review your profit and loss statements regularly to identify which projects are making money and which are using up resources. Pay attention to material and labor costs to understand where your money is going and discover ways to recover losses through better budgeting.

Strategic Cost Management: Focus on slimming down variable material costs per job by working with vendors to negotiate better prices. Cut non-essential expenses and reduce overheads to maximize margins on cost estimates.

Resource Reallocation: Shift resources from less profitable areas to those with higher returns, making sure investments match the current business climate.

Continuous Monitoring and Adjustment: Monitor business trends to adapt your strategies quickly, minimize losses and seize opportunities as they arise.

CONCLUSION

HOW JOB COSTING SHAPES BUSINESS SUCCESS NO MATTER THE CURRENT STATE OF BUSINESS

Job costing isn't just about numbers; it's a strategic tool that helps businesses navigate the ups and downs of running an electrical, plumbing, HVAC, or low-voltage business with confidence.

Job costing can be tricky, especially if you're just getting started and don't know where to begin. That's why it's a great idea to explore a Field service management software like Simpro.

Simpro is an end-to-end field service management software ideal for electrical, plumbing, HVAC, and low-voltage companies. It offers powerful job costing features that provide insight into costs and profitability, supporting smart decision-making and driving growth and innovation.

Simpro goes beyond basic job costing, integrating core business functions for comprehensive management. In tough times, Simpro's precision becomes essential, providing clear data-driven financial insights that guide strategic adjustments. Whether it's cutting losses in underperforming areas or redistributing resources to more profitable activities, Simpro helps businesses turn challenges into growth opportunities.

With Simpro, businesses don't just react to industry changes – they proactively manage change and adapt. Its advanced job costing and integrated management features set the stage for sustained success and growth.





SIMPRO®

WHY SIMPRO?

With over 20 years of leading trade and field service innovation, Simpro is your go-to partner for growth and efficiency. Trusted by 8,500+ businesses and 250,000+ users, Simpro tackles the unique challenges of electrical, plumbing, HVAC, and low-voltage businesses by simplifying operations and empowering both your office and field teams with top-notch communication tools. Handling all your workflows seamlessly, Simpro is your go-to for multi-phase projects, preventative maintenance, and service jobs, as well as residential and commercial work.

READY TO TRANSFORM YOUR ELECTRICAL, PLUMBING, HVAC, OR LOW-VOLTAGE BUSINESS?

See how Simpro helps field service businesses elevate their operations. Check out detailed features, read success stories, and request a personalized demo to experience the difference Simpro can make for you.

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