

2022

3 Ways to Control Material and Beat the Supply Chain Bottleneck





Construction materials - what can you actually control?

A global pandemic and fractured supply chain across the world, combined with a trillion-dollar US infrastructure bill has significantly increased demand for construction work while simultaneously drying up the supply of materials. As a trade contractor, you foot the bill for material-related issues and as a result, you've been hit the hardest with an endless stream of backorders, unpredictable lead times, and all-time high materials prices. Now more than ever, your margins are at risk.

Many material issues are out of your control. You can't stop the price of PVC from going up or increase the global inventory of steel. What you *can* control is your business's processes and how you manage your materials, which if done poorly, can impact your business's bottom line as much as any supply chain issue. Construction materials management is a prime target for process optimization - by implementing a better process for managing materials, you can not only reduce direct material costs but also the labor costs of managing materials.

In this guide, we will illustrate some simple steps you can take now to improve your materials management process, and in turn to remain profitable and competitive in today's construction climate.

Kojo helps trade contractors take control of materials management



Kojo, a materials management platform built specifically for trade contractors, improves the process of purchasing, managing, and tracking materials from planning to payment for hundreds of trade contractors across the country. Leveraging Kojo's platform, contractors can:

Get materials to the site faster.

When requests and updates are being shared clearly and efficiently across the field, office, and vendors, orders get placed (and fulfilled) faster.

Find the best prices and availability.

Kojo makes it simple to send out RFQs to multiple vendors, compare responses, and issue POs to the suppliers who have the right stock at the right price.

Do bigger buyouts, and ensure it all gets used.

With Kojo's inventory tracking features, you can order more materials in bulk (or even restock leftover materials), and give the field direct access to request materials from your stock.

Reconcile invoices in seconds.

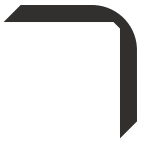
With the purchase order, proof of delivery, and invoice all logged in Kojo, it becomes quick and easy to identify discrepancies and ensure you only pay for what you got.



“Using Kojo, I was able to save \$30,000 on a large order. Kojo makes it fast and easy to source quotes from multiple vendors, so I was able to find the best deal with little time wasted.”

Ronnie Zimmerman, Edge Electric

How to reduce direct material costs



03 Only pay for what you got

With a cumbersome, paper- and email-based material management processes, many contractors have office staff that are already overburdened just getting the basic orders placed. When this happens, important steps can start to fall through the cracks, even if you know you “should” be doing them.

A typical example of this is reconciling material invoices with the purchase order and the proof of delivery. While it’s not uncommon for invoices to have mistakes, many contractors just treat this as a cost of the business because spending time to catch the mistakes would be more expensive. But if you’re skipping this critical step, you are leaving money on the table - by some estimates, 10% of invoices have errors, and these errors can be on the order of hundreds or even thousands of dollars.

The difficulty with reconciling invoices lies in the documentation. Invoices live in one system, POs in another, and proof of delivery often doesn’t exist at all. As a result, the reconciliation process can take hours to complete each week.

To make invoice reconciliation feasible, you need to get invoices, POs, and proof of delivery into one system, where all of these documents can be easily found and directly compared to identify discrepancies. Digital solutions offer the ability to do quick side-by-side comparisons, or even to automatically highlight discrepancies. This can save your business thousands of dollars per project in unexpected or unapproved costs.



Did you know?

An estimated **10% of invoices have errors** - and a simple decimal point error on a price or quantity could cost you thousands.

How to reduce direct material costs



02

Use the materials you already have

With materials so expensive and hard to come by, you can't always afford to wait until the last minute to make a purchase. But bulk ordering materials in advance comes with its own risk of overbuying, especially if you're working with a fuzzy estimate. That's why many contractors are looking for ways to track inventory, such as bulk orders or leftover materials. Ben Worley, VP of Business Operations at Capstone Mechanical explains, "If we're unable to keep an accurate inventory of our materials, easily see what's already been delivered, know what we currently have on hand, and know what has yet to be purchased, then we'll end up being the guys on the job holding everyone up."

It's not enough to track inventory in a spreadsheet on someone's hard drive. In order to be effective, your process for tracking inventory must provide dynamic visibility and communication across the field, purchasing, and warehouse. To avoid placing unnecessary new orders, the field must be able to see and request available inventory. The warehouse manager must be able to receive and process the field requests. And the purchasing manager must be able to see when inventory is getting low so they can restock.

Tracking your inventory digitally and making it readily available to everyone on your team will enable your company to make smarter purchasing decisions, save time, reduce costs, and avoid waste.



Did you know?

A digital inventory management solution could help **reduce your material waste by 90%**.

How to reduce direct material costs



With today's material shortages and global supply chain disruptions, saving on material costs isn't as simple as it used to be. Contractors have to work a little harder to mitigate increased prices and additional fees related to getting the materials you need on time. To get material costs down, you've got to add some optimization steps into your materials management process.

01 Shop for the best prices and availability

In the past, you may have assumed your favorite vendor would be able to get you what you need when you needed it. But vendors are also feeling the supply chain squeeze, and are fighting to keep certain materials stocked. As a contractor, you may need to shop a bit more broadly to get what you need.

"In the past, you could figure out your material needs and get them a week ahead of time. Now you have to be two months ahead of time," said Mike Mayock, owner of A Complete Drywall Company headquartered in San Rafael, California. "You have to go to multiple suppliers to find your materials and you might have to buy different brands sometimes. This forces you to go back and change your specs so it's impacting time as well. You're also stuck having to pay a higher cost because there's no other option available."

Creating a simpler process for your team to request, track, and respond to quotes can increase the likelihood that you'll find the materials you need when you need them. Forward-thinking trade contractors have adopted technology that takes a list of materials needed for the job, instantly sends the list out to multiple vendors for quotes, and allows the contractor to receive quotes back from each vendor in real-time, including who has inventory and at what price, so they can quickly compare the bids and issue purchase orders.



Did you know?

By implementing a digital RFQ solution, you could **save 3-5% on material costs.**

Reduce Overhead Costs. Increase Labor Productivity.



Modernize your materials management.

Kojo brings your field, office, suppliers, and warehouse onto one collaborative platform, streamlining the PO, RFQ, accounting, and delivery process for trade contractors.

With Kojo, trade contractors:

- **Reduce the time their field teams spend managing materials by up to 38%**
- **Shortens the PO process by up to 75%**
- **Saves an average of 4% on materials costs**

To learn more about Kojo, visit usekojo.com



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¹ <https://www2.deloitte.com/us/en/pages/energy-and-resources/articles/engineering-and-construction-industry-trends.html>

² <https://www.pnj.com/story/news/local/santa-rosa/2022/01/11/santa-rosa-county-courthouse-set-completed-february/9155592002/>

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