4 Ways Technology Can Streamline Your Supply Chain

Supply chain challenges

Price increases and supply chain issues have escalated over the last few years, creating new challenges for contractors operating their businesses. Where once contractors could get all their supplies from one vendor, now they have to search multiple vendors to fill their orders. This additional work bogs down the purchasing process and costs contractors valuable field time. The average foreman spends over 30% of their day just managing materials and dealing with POs and requisitions.

Contractors are also battling increased prices, both for materials and shipping costs. Some of these price increases have made headlines, like lumber and steel. But even freight costs have increased, up 26.6% in 2021. Contractors are struggling to regain their buying power, and those who still run a manual process that relies on paper, phone, email, and spreadsheets to purchase and manage materials are finding it increasingly harder to keep up. Slow processes in a time of rapidly changing prices, inventory, and backorders make it harder to protect margins.

30%
Time spent managing materials, POs & requisitions

26.6%
Increase in freight costs

The State of Construction Materials

In an Autodesk and AGC survey, 93% of contractors say rising material costs will affect their projects in 2021. These delays range from days to months and can significantly impact project profitability. In the same survey, 88% of contractors said that they were experiencing project delays, and 75% attributed the materials shortage to these delays.

While the state of the supply chain and manufacturing backlogs are out of a contractor's control, improving procurement processes can help keep budgets and schedules under control.

Using procurement technology, contractors are improving their operations in four ways.

> "We bid jobs a year out. In the past, we would factor in the price for boards and wouldn't need to worry too much about the price fluctuating. Prices would stay fairly consistent year over year. Now prices are changing monthly and it makes it difficult to operate."

Mike Mayock
Owner, A Complete Drywall Company

75%

Projects experiencing material shortages

38%

Reduction in time spent managing materials time procurement software

Streamlining communication

Often workers communicate about materials using various methods: email, phone calls, texts, and even manual notes and documentation. For the office, a lot of time is wasted trying to track down who ordered what, when it was received and was the order correct. For the field, knowing what materials were purchased, how many were purchased, and what their delivery dates are can take away essential hours that should be allocated to building. When labor is more expensive than ever and materials are in limited supply, these inefficiencies are costly. Teams need to be quick and efficient to protect their margins.

Instead of spending an hour or more creating purchase orders by retyping information captured over the phone or email, best-in-class contractors are speeding up their processes by leveraging procurement technology to send RFQs and POs to vendors digitally, without manually typing information. Not only will time be saved but so will errors. With less time gathering and retyping data, the office can focus on making smarter procurement decisions such as pre-construction planning and negotiating prices. At the same time, the field can get back to doing what they do best - building.

Did you know?

The average foreman spends
8 hours per week managing materials.

Removing steps from sourcing prices

Before the global supply chain was disrupted, materials were easier to come by, and contractors could find common materials with one phone call. The price between vendors was relatively consistent and didn't change weekly or even daily. Keeping up with price updates across vendors wasn't necessary. Quoting wasn't imperative to keep a job on track, and to worry about backorders and delivery delays wasn't an everyday concern.

In the current climate, sourcing price and availability are critical to keeping the job on budget and schedule. Prices between vendors sometimes vary up to 20%, and getting the materials needed might require sourcing from multiple vendors. If a contractor's process of sourcing price and availability is manual and requires capturing numbers via phone and email, then time is wasted, errors are made, and dollars are lost.

To overcome this, contractors have begun adopting software that helps automate and organize the capturing of price and availability across multiple vendors. Instead of numerous phone calls and email chains with vendors, followed by typing numbers into documents and spreadsheets, modern software allows purchasing teams to distribute the same RFQ to multiple vendors in seconds digitally. Vendors receive the requests and push the price and availability back into the contractor's software. Once in the software, the contractor can compare one vendor's price and availability with another, making it quick and easy to purchase.

$68

The avg. cost to process one PO for electrical contractors.

Tracking materials and inventory better

Keeping more materials on hand is one-way contractors have found success hedging themselves from a limited supply, but it comes with its challenges. Managing a larger volume of inventory, whether in a warehouse, on the jobsite, or being held for release by a vendor, can be hard to keep up to date with the latest inventory counts. As materials move throughout the job and across multiple positions, keeping track of inventory through email, phone, and a spreadsheet becomes a puzzle. If the data isn't accurate, then poor purchasing decisions are made. Overbuying and underbuying are both outcomes, each resulting in negative impacts on the job, such as job delays, increased material waste, and spending more on materials than needed.

To keep jobs on schedule and budget, contractors have adopted software that helps manage inventories in real-time as they flow from the vendor, warehouse (if necessary), and to the jobsite. By taking away the manual work of updating numbers while having accurate data available anytime and anywhere, teams gain greater control over their operation and margins.

Reduce duplicate data entry

Successfully passing materials information across teams, vendors, and accounting systems is needed to keep the operation running. Requests come in, purchases are made, deliveries are received, the warehouse gets stocked, invoices arrive, and payments are made. The information must remain accurate throughout; otherwise, mistakes are made, costs go up, and jobs get delayed.

When leveraging a procurement technology that digitally transfers requisitions, POs, RFQs, and inventory data across all parties, team members no longer need to retype the same information multiple times. Errors get reduced, productivity increases, and teams can complete tasks up to 75% faster.

Using technology to streamline the supply chain

Over the last several years, as supply chain disruptions have created unforeseen challenges for contractors, inefficiencies within their existing processes have been exposed. Capturing, transferring, and organizing information across phone, email, and documents worked fine when material prices and availability were less volatile and more predictable. Still, now they're slowing operations down and becoming a threat to margins.

As other industries have adopted technology over the last several years to streamline operations and become more resilient to external variables, it's time for contractors to do the same with their procurement process.

Want to lear more about leveraging technology??

Help is available. Contact Kojo's procurement experts to find out how we can help you team leverage technology and streamline your procurememnt process today.

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