

# JOB COSTING Process Guide



## Job Costing Process

- Figure out your Target \$\$\$ per man-hour by Service Type (example: mowing, carpet cleaning, pest control)
  - Track time from ignition off to ignition on.
  - If you don't have time to look at it daily, have someone print the job cost report from your system and put it on your desk daily. If you track job times manually, review each crew / techs route sheets / work orders daily.
  - Start to learn your current avg. hourly rate earned by service.
- Notice which type of jobs achieve the best rates
  - Service Type (mowing, house cleaning, gutter cleaning)
  - Service Area
  - Job Size (large, small, square feet, # of rooms, etc.)
- Analyze and identify targets (goal rate per man-hour)
  - Visit top 20% jobs (minimum 30 jobs)
    - What type of job returns the highest margin / best hourly rate
    - Go look at your best jobs
    - What is different about these jobs vs other lessor performing jobs?
    - Watch your techs / crews work
    - Talk to the crews
    - Ask yourself Questions about each Job (see attached: **Job Costing Analysis Sheet**)
  - Visit bottom 20% jobs (minimum 30 jobs)
    - For each underperformer, –was ask if today an anomaly or if this job consistently underperforms other jobs.
    - Is it something about the property?
    - Is it something about the client?
    - Is it something about the crew / tech?
    - Ask yourself Questions about each Job (see attached: **Job Costing Analysis Sheet**)

## Tips to consider while visiting / analyzing Jobs

- Measure the property (square feet of home, lot, turf, concrete, etc.) or Count (# of bedrooms, # of trees, # of irrigation zones, # of AC units, # of dogs, etc.)
- Look for a magic estimating number (could take a long time to discover). You are trying to discover one or two numbers that if measured or counted tell you how to

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- price the job. For example, can you price lawn mowing based on gross lot square feet or carpet cleaning on the number of rooms?
- Once discovered, refine your estimating process to use this number to quote rates.
  - You are looking for averages. Tends to work best on smaller jobs. Big jobs are different.
  - Listen to Jonathan's audio discussing this topic.
  - To discover trends, averages, etc. you must physically visit the job site and observe the work being performed. You must also physically perform the estimates. This process requires direct involvement.
  - Do the work. It is worth the effort
    - As you personally work through this process, document it. Doing so will allow you to hand this job function off to someone else who can do this analysis for you.
  - Try different techs / crews on the job. Different techs will perform the work differently. What are your best techs doing that your underperformers are not?
  - After analyzing the underperforming jobs – if they cannot be improved – look for ways to identify underperforming jobs during the sales / estimating process. Adjust the estimating process to ensure these jobs are bid correctly in the future.
  - Set \$ Per Man-hour Targets for each Service Type.
  - Watch this target number for every job, every day.
  - Talk to crews / techs constantly about underperforming jobs. They must know you are paying attention.
  - When you find your underperforming jobs, you do not have to raise prices across the board to fix the problem. You only raise prices for underperforming jobs / clients.
  - For each underperforming job, raise the price or fix the production problem that is making it an unprofitable job. The goal is to get all of your underperforming jobs to your minimum Target.
  - Over time, as you watch your numbers:
    - Look for opportunities to slowly increase Targets
    - Are there opportunities elsewhere – services you can start providing that carry better margins due to less competition because they:
      - Require licensed employees
      - Expensive people
      - Significant training
      - Expensive equipment

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- Are there services that earn a great profit but aren't worth building a business around because they:
  - Carry risk
  - Require significant owner / key people a lot of mental hassle, thereby distracting your most expensive people from growing the business.
  - Take up your time and can't be offloaded to someone else
  - Expose your business to significant risk if there were to be an economic downturn
- Stop promoting your least profitable services
- Adjust offering to start offering and promoting more profitable services
- Target clients, niches, geographic areas that are willing to pay more