SORCI

State of Residential Construction Industry

ANNUAL REPORT 2023

Commissioned by:

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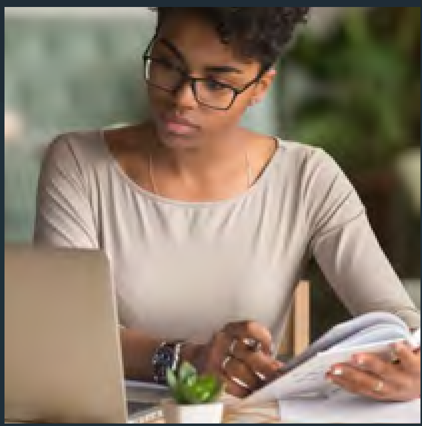
CONTENTS

what's inside...







EXECUTIVE SUMMARY

The State of Residential Construction Industry (SORCI) Report was prepared by the Association of Professional Builders (APB) that surveyed residential home builders operating in the United States, Australia, Canada and New Zealand.

APB works exclusively with the owners and directors of medium-sized residential home building companies that specialize in new homes or large renovation/remodeling projects. In particular, builders who are looking to systemize their businesses, grow their margins and/or their sales revenue and deliver a better experience to their clients.

APB's goal is to improve the construction industry for both builders and consumers by helping more building companies to become systemized. APB provides the processes and templates for builders to implement in order to streamline their building companies and attract the best clients who understand value rather than simply looking for the cheapest builder.

This report was commissioned to gather a deeper insight into the residential construction industry and spot emerging trends in order to enable building company owners to benchmark their own businesses against industry standards.

The material price increases that had hit the industry hard in 2021 continued throughout 2022, however they were further compounded by supply shortages and increases in the cost of labor. Additionally, in Australia fixed-price contracts that did not contain cost escalation clauses and extreme weather presented additional challenges for builders.

The consequences of these factors resulted in large numbers of construction companies failing while owing millions of dollars to creditors.

While the spike in building company failures have only been seen in Australia so far, we expect the trend to spread to other countries in 2023 as rising interest rates continue to dampen consumers' appetites for risk and reduce their capacity to borrow.

However, one thing that will serve as an encouraging sign to sub-$100 million residential building companies is the way in which these companies have been able to adapt quickly to the changing environment and side-step a lot of issues that are taking down their larger counterparts.

As a result, we are proud to report that many of those builders have reported a record year for revenue, gross profit and most importantly, net profit.

It's not only the lag indicators that are performing above expectations. Many builders have reported signing contracts at record margins during the last quarter of 2022 even as the market softened.

A combination of record low unemployment and unprecedented demand has resulted in key staff being head-hunted by large companies offering outrageous salaries in order to fill vacant positions created by 'The Great Resignation'.

However, it's been far from plain sailing, even for those companies enjoying financial success. Labor has become a major issue during the year as employers struggled to recruit and retain staff.

A combination of record low unemployment and unprecedented demand has resulted in key staff being head-hunted by large companies offering outrageous salaries in order to fill vacant positions created by 'The Great Resignation'.

The most cited reasons for employee resignations were wage stagnation amid rising costs of living, limited opportunities for career advancement, hostile work environments, lack of benefits, inflexible remote-work policies and long-lasting job dissatisfaction.

Some economists have likened The Great Resignation to a general strike. However, with data close to, or in many cases often exceeding the pre-pandemic rate, it seems that instead of remaining out of the workforce for extended periods (which can be financially difficult, especially at a time of high inflation), many workers have been simply swapping jobs.

The dire staffing situation has been further compounded by record levels of absenteeism in the workplace. This has forced a significant number of building company owners to fill the gaps themselves by resuming onsite duties in order to keep jobs moving.

Even those who have not found themselves back onsite have still had to deal with additional administrative work associated with the constant rescheduling of subcontractors and deliveries to site every time a project was delayed.

It was an unsustainable way to operate and the cracks started to appear midway through 2022 as increasingly more builders reported feeling exhausted, burnt out and anxious.

By the end of 2022, a quarter of the builders that participated in the survey were honest enough to admit that their mental health had deteriorated during the year.

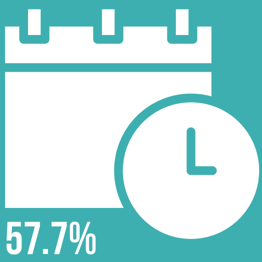
This has contributed to a record number of building companies being voluntarily closed down by their owners.

Those that remain in the industry will face new challenges in 2023 even as supply chains get back to normal and unemployment increases again to a healthier level for business. Rising interest rates now mean the 'easy sales' builders have enjoyed over the past two years will now once again have to be earned from great marketing and a repeatable sales process.

The best operators will continue to grow, profitably. However, the larger building companies whose reserves have been destroyed as well as the average builders that have no marketing strategies both face an uncertain future.

KEY ISSUES & SNAPSHOTS

KEY POINTS



Despite the obstacles, 57.7% of builders delivered homes on time.

The #1 sales challenge was generating quality leads.

Builders' financial understanding continues to improve.

Cost escalation clauses exposed

As 2022 unfolded one thing became very clear, cost escalation clauses were going under the microscope.

In Australia, cost escalation clauses were rarely considered before 2021, however, they became the number one reason why so many building companies were collapsing. Even in New Zealand, Canada and the United States where the majority of builders were protected from price increases that were out of their control, implementing those clauses got harder possibly due to the size of increases filtering through.

The situation has highlighted just how important it is for builders to understand their own contracts, and to enforce them preemptively with clear and open communication.

There have been too many examples over the past 12 months of builders falling foul of their contract agreements. However, as a result of disputes being raised, more and more builders are seeking proactive rather than reactive legal advice.

In Australia, 33% of builders declared their contracts incorporate special conditions to include cost escalation clauses. This number still lags behind New Zealand's builders where 85.5% have protected themselves, the United States with 61.8% and Canada 44.1% covering themselves.

The benefit for consumers signing a contract that includes a cost escalation clause that protects their builder is that they won't have huge contingencies loaded into their fixed-price contracts. Business is all about pricing risk, so for a builder to enter into an agreement where they accept all the risk would mean increasing the contract price by around 33% based on recent history. Given the choice, around 95% of consumers prefer to accept the risk with a cost escalation clause rather than pay for it in contingencies of a fixed-price contract.

Despite the obstacles 57.7% of builders delivered homes on time

In spite of all the challenges faced by builders in 2022 including material shortages, labor shortages and extreme weather conditions, 57.7% of builders reported that the majority of their projects were delivered on time.

This is quite an achievement considering the length of the delays builders were faced with for a number of different materials throughout the year.

The key difference between 2021 and 2022 wasn't the fact that the supply chain improved - in fact a lot of builders would argue it got a lot worse - it was down to builders becoming better organized. As of the end of 2022, 74.1% of building companies now use dedicated project management software to keep on top of their jobs, up from just 64.8% a year ago.

The #1 challenge was quality leads

The biggest challenge felt by builders both in terms of sales and marketing was the quality of the leads they generated.

In terms of sales, twice as many builders cited the quality of the leads as being a bigger challenge than closing the sale or even qualifying the leads.

With regard to marketing, no other challenge came close.

A resounding 41% of builders indicated that they struggled with the quality of the leads they were generating compared with only 10.5% of builders who admitted they struggled to generate enough leads.

The solution to these challenges is a lot simpler than these builders may realize.

Placing quality content in front of an audience produces educated leads. Leads always appear to be more qualified when they are realistic about their expectations, which is why posting blog articles on a website and then promoting them to a wider audience on social media works so well to attract new leads. The next step is to continue to follow up with those new leads by providing them with informative emails. This approach continues their education until they are ready to ascend to the next stage in the sales process.

This strategy has been utilized and proven to work time and time again by building companies of all sizes.

Despite this fact, a whopping 64.1% of builders never create any blog articles and 59.6% of builders admitted they never email their prospects, while social media activity throughout 2022 was down for all builders in all countries compared to 2021.

The upside is that a massive opportunity awaits those that wish to take it in 2023.

Builders' financial understanding continues to improve

A key trend that continues to confirm what most people inside the industry already suspect is that builders are not only becoming more professional year on year, they've improved their understanding of financials better than any other point in history.

Financial understanding has not been at the level it needed to be for builders in previous years, however that is clearly starting to change.

Even more encouraging is that 70.5% of builders truly understand the difference between markup and margin. We know that for a fact because we tested those that answered yes!

Almost three quarters of builders (74.8%) know their fixed expense ratio, which is calculated by dividing total expenses by revenue. Over half of the builders surveyed (57.3%) are producing monthly financial reports and 60% monitor the gross profit margin on every job on a monthly basis enabling them to have their finger on the pulse of every single job.

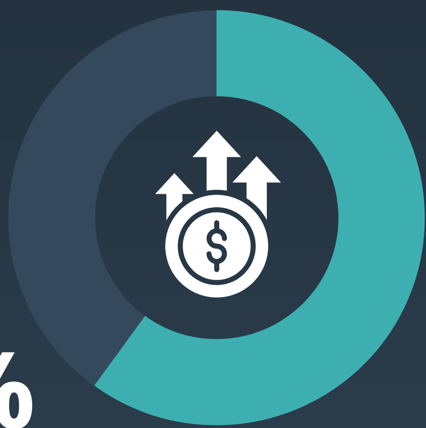
While this is all great news and a big improvement compared to the data collected in 2021, there is still a lack of understanding of the most critical number within their accounts. Work in progress.

Only 8.9% of builders could demonstrate they understood the meaning of this significant number. Which would indicate that 91.1% of builders are either calculating this number incorrectly or not calculating it at all.

This should be a serious concern for everyone in the industry, especially as 71.7% of the builders who thought they knew how to calculate work in progress believe it to be either the value of work they have completed or the un-invoiced amount remaining on their contracts.

As both of these figures are assets it means builders are seriously overstating their profits each year resulting in them paying tax on profits they did not actually make.

Additionally, it means builders could be operating as a construction Ponzi scheme that creates unfair competition for professionally run building companies that are operating on sustainable profit margins.



60%

monitor the gross profit on every job on a monthly basis enabling them to have their finger on the pulse of every single job.

PROFILE OF PARTICIPANTS

Over 1,000 builders from the United States, Australia, Canada and New Zealand took part in the 2022 SORCI survey revealing detailed insights into their building companies.

This was a significant increase on the 720 builders that took part in the 2021 survey, largely due to the efforts of our industry partners who all played an important part in the data collection process.

All of the information compiled in this report has been provided by owners, directors, presidents and senior managers who have access to detailed information across marketing, sales, operations and the financials of their respective building companies.

Approximately two-thirds (63.7%) of the respondents predominantly focused on building new homes, while one-third (36.3%) focused on large scale renovation projects, all with an average contract value in excess of $100,000. Interestingly there was a drop in the percentage of new home builders in Australia when compared with the 2021 data. It's possible this decline is a consequence of the number of new home building companies going into liquidation as a result of having already been committed to fixed-price contracts that failed to include cost escalation clauses.

Similarly to 2021, Canada once again had a split that was closer to a 50:50 ratio of new homes versus remodeling/renovations specialists.

Another important trend was the number of building companies building new homes that follow the design and build business model (72.9%) as opposed to quoting clients' existing plans (19.5%). The exception to this trend was in New Zealand where 43.6% continue to quote plans with only 48.7% following the more profitable design and build model.

The benefit of new home builders managing the design process was clear with 28.9% of design and build companies marking up their projects by over 25%, whereas only 17.2% of builders that quoted clients' plans managed to reach this level.

A new question introduced to the 2022 survey looked into the fixed-price versus cost plus/open book debate. The data revealed that around two-thirds (68%) of builders opt for fixed-price contracts while one-third (31.7%) prefer the perceived security of a cost-plus contract. The exceptions being Australia where 82.5% of builders use fixed-price contracts and New Zealand where builders are almost evenly split between the two with 46.8% and 53.2% respectively.

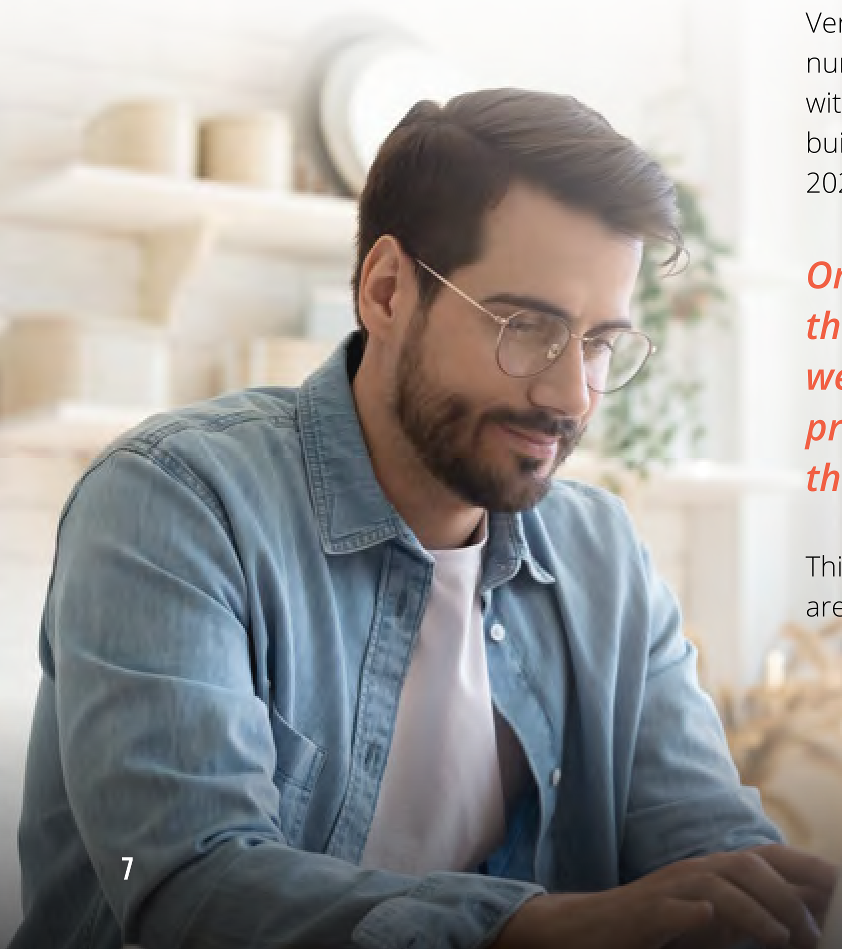
The reason APB recommends fixed-price contracts, despite the perceived risk, is because they have always delivered higher gross margins to APB members even with the material price increases that have hit the industry over the past two years.

That claim has been corroborated by the 2022 data which showed that 30.8% of builders using fixed-price contracts were able to add over 25% gross markup to their projects while only 18% of cost-plus builders enjoyed the same margins. Worryingly, 25.3% of cost-plus contracts were signed with less than 15% gross profit which is unlikely to cover the fixed expenses for the business.

Another new question asked in the 2022 survey analyzed the differences between builders belonging to a franchise versus those builders operating under their own brand. Franchising appears to be most popular in New Zealand with almost one in ten respondents (9.7%) taking the franchised route which was three times higher than the average across all countries.

The vast majority of builders that took part in the survey (72.2%) took on less than 13 projects a year which was only a slight increase from 71% in 2021. This indicates that despite the massive amount of opportunity that existed, builders remained rightly cautious and avoided over stretching themselves.

Unsurprisingly, average contract values increased from 2021, however, what was unexpected was the steep incline in the number of building companies that achieved an average contract value in excess of $1 million. The data revealed that 23.3% of builders reached that milestone with a staggering 31.1% of builders in the United States now enjoying a $1 million-plus average contract value.



The most remarkable statistic to come out of the United States was that only 66.7% of residential home builders belong to a national association. In examining this statistic, APB was excluded from the results as it is an international organization.

A similar trend emerged in Canada where just 61.8% of builders belonged to a national association.

However, the results were very different in Australia where 91.8% of residential home builders belonged to either Master Builders or the Housing Industry Association (HIA) and in New Zealand where 75.8% of building companies belong to at least one of the national associations.

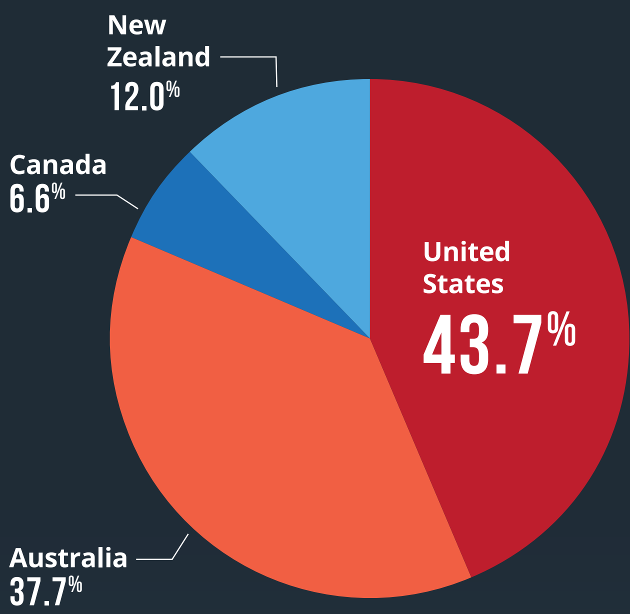
In all countries, memberships with national associations increased during 2022.

Very closely matched to 2021's figure was the number of building companies with a website with the 2022 data showing that 87.2% of building companies had a website compared to 2021's figure of 86.7%.

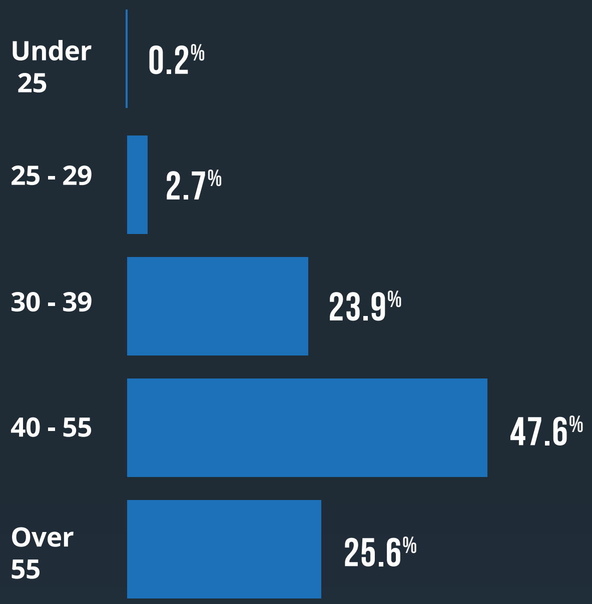
Once again the data revealed that the builders that were without a website struggled to match the profit margins being achieved by the companies with a website.

This further promotes the notion that margins are linked to marketing.

Which country do you operate in?

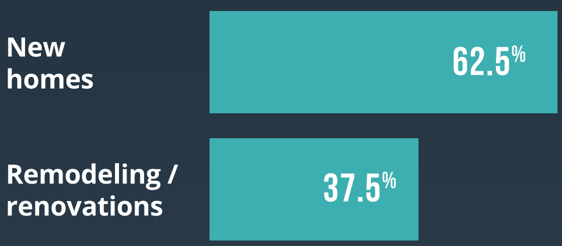


What is your age?

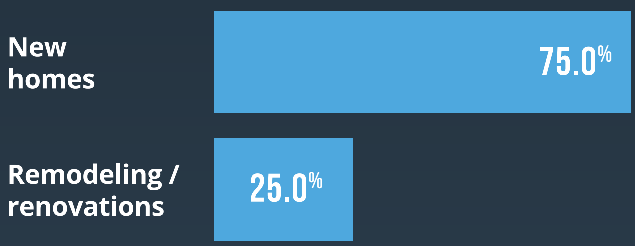


What is your role in the business?

OWNER/DIRECTOR/PRESIDENT



SENIOR MANAGEMENT



ANSWERS BY LOCATION:

OWNER/DIRECTOR/PRESIDENT

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
New homes	71.6%	54.5%	51.6%	61.0%
Remodeling / renovations	28.4%	45.5%	48.4%	39.0%

SENIOR MANAGEMENT

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
New homes	83.3%	61.1%	66.7%	100.0%
Remodeling / renovations	16.7%	38.9%	33.3%	0.0%

What type of work do you primarily target?

New homes

63.7%

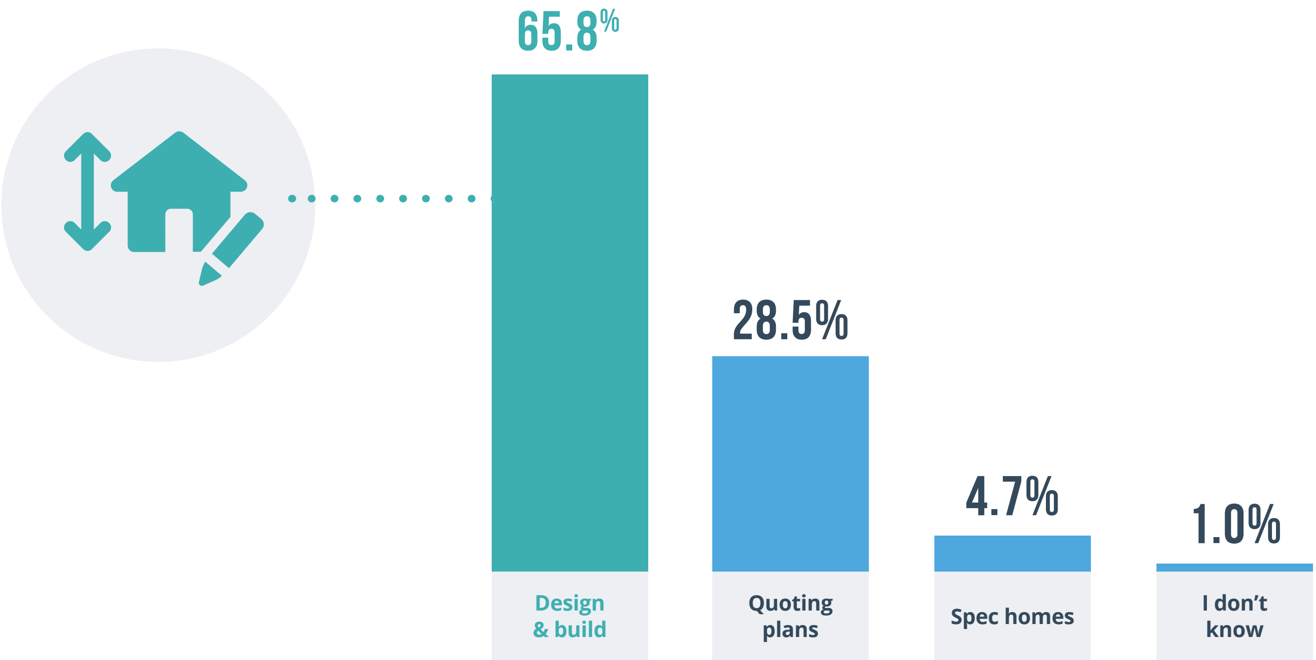
Remodeling / renovations

36.3%

ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
New homes	72.9%	55.2%	52.9%	62.9%
Remodeling / renovations	27.1%	44.8%	47.1%	37.1%

What is your business model?



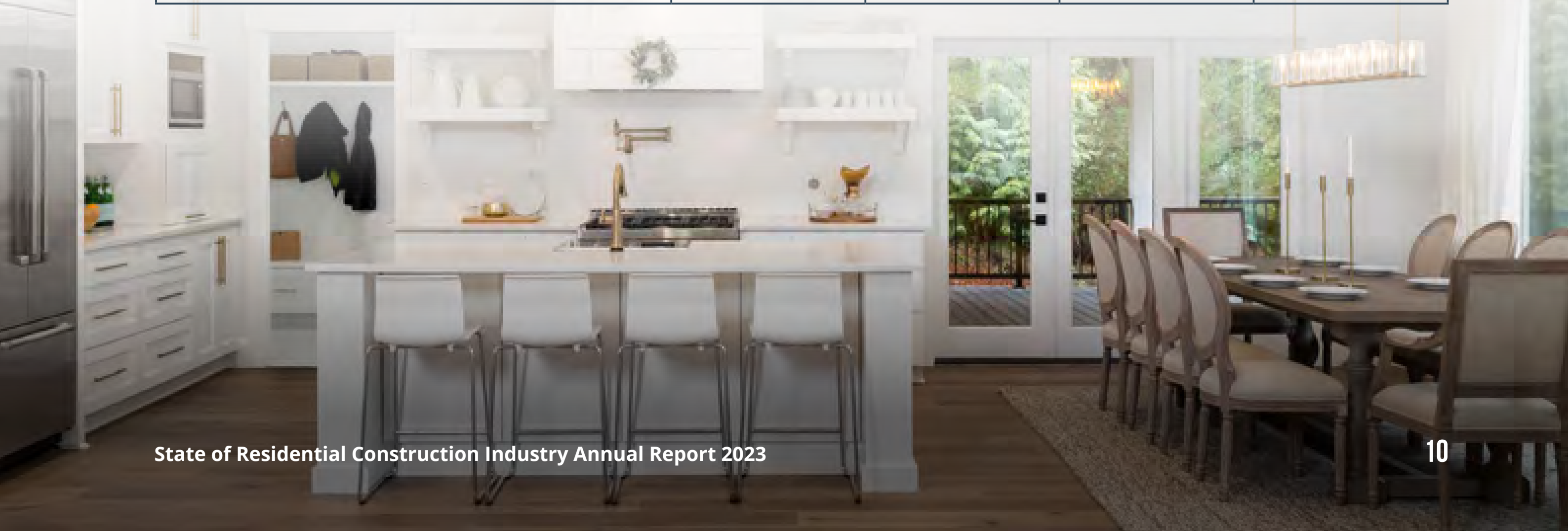
ANSWERS BY LOCATION:

NEW HOMES

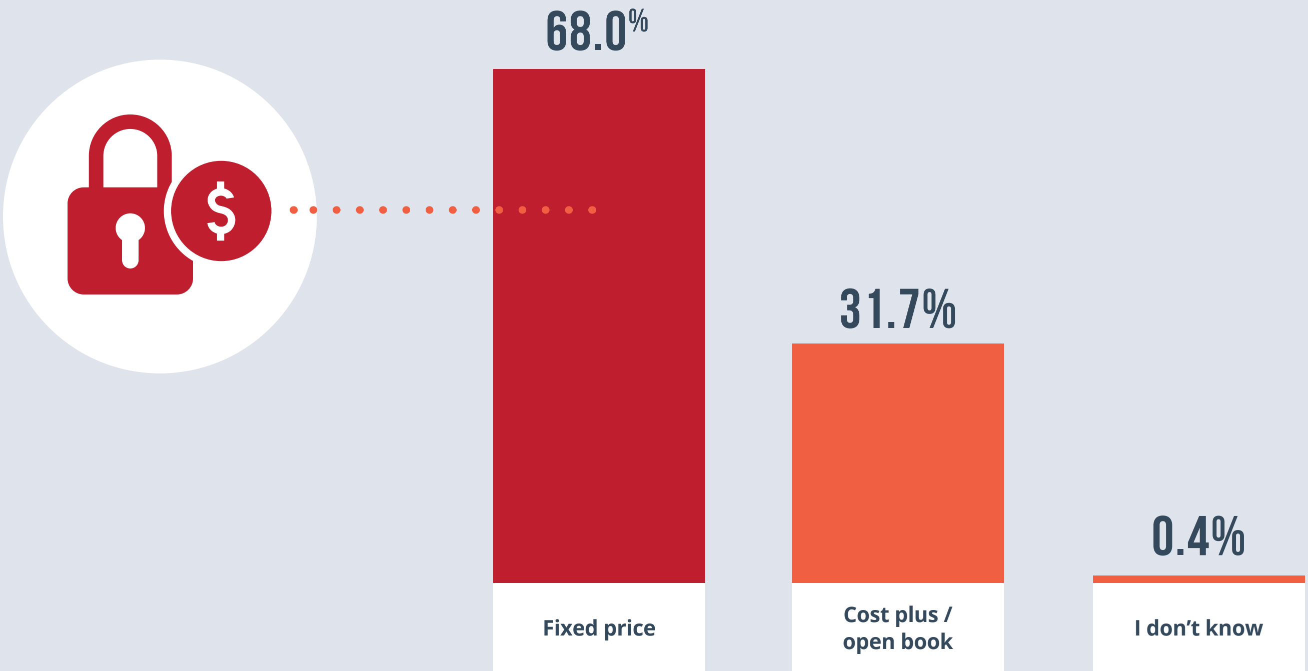
CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Design & build	79.3%	70.1%	83.3%	48.7%
Quoting plans	9.8%	27.1%	11.1%	43.6%
Spec homes	10.4%	1.9%	5.6%	7.7%
I don't know	0.6%	0.9%	0.0%	0.0%

REMODELING / RENOVATIONS

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Design & build	78.7%	37.9%	87.5%	21.7%
Quoting plans	18.0%	62.1%	6.3%	73.9%
Spec homes	0.0%	0.0%	6.3%	0.0%
I don't know	3.3%	0.0%	0.0%	4.3%



What type of building contract do you use?



ANSWERS BY LOCATION:

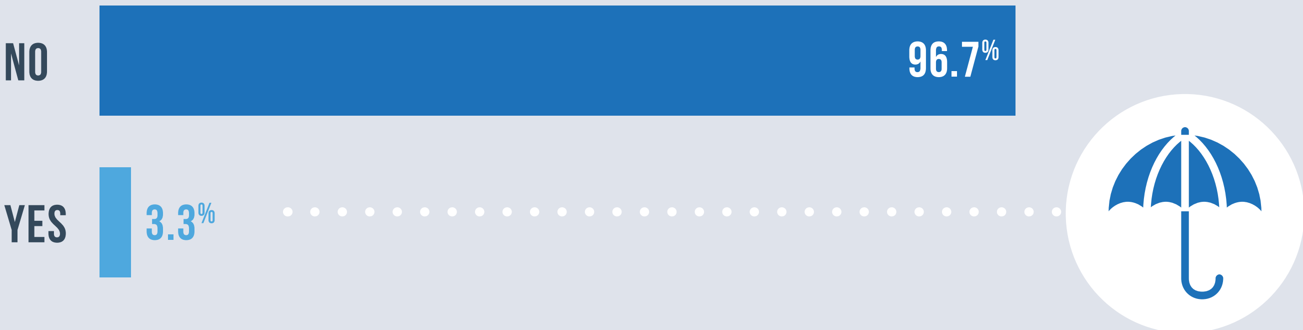
NEW HOMES

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Fixed price	62.8%	87.9%	61.1%	59.0%
Cost plus / open book	37.2%	10.3%	38.9%	41.0%
I don't know	0.0%	1.9%	0.0%	0.0%

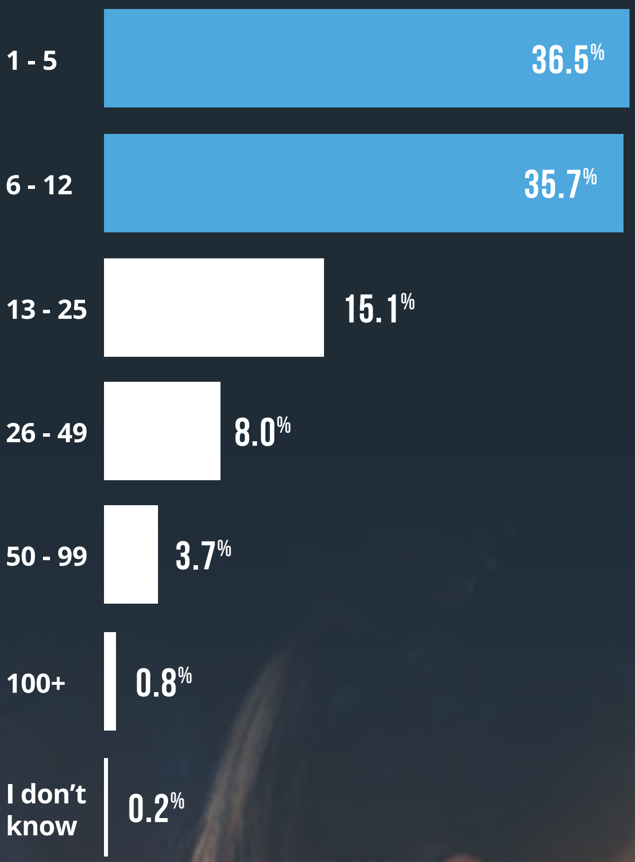
REMODELING / RENOVATIONS

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Fixed price	60.7%	75.9%	62.5%	26.1%
Cost plus / open book	39.3%	24.1%	37.5%	73.9%

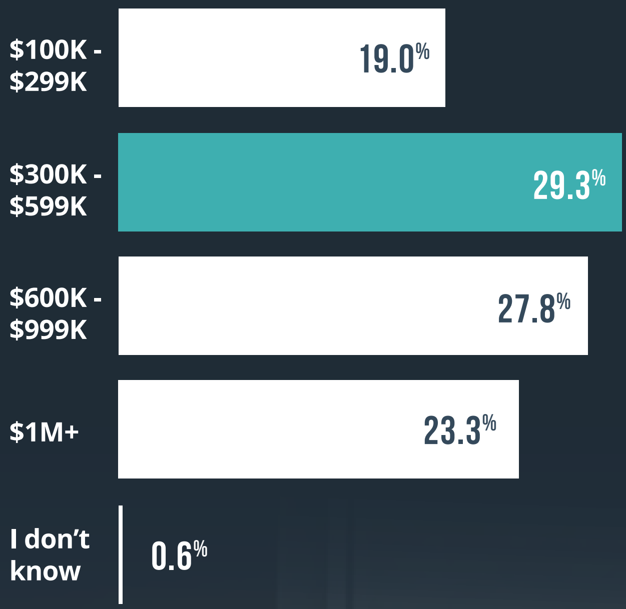
Do you belong to a franchise?



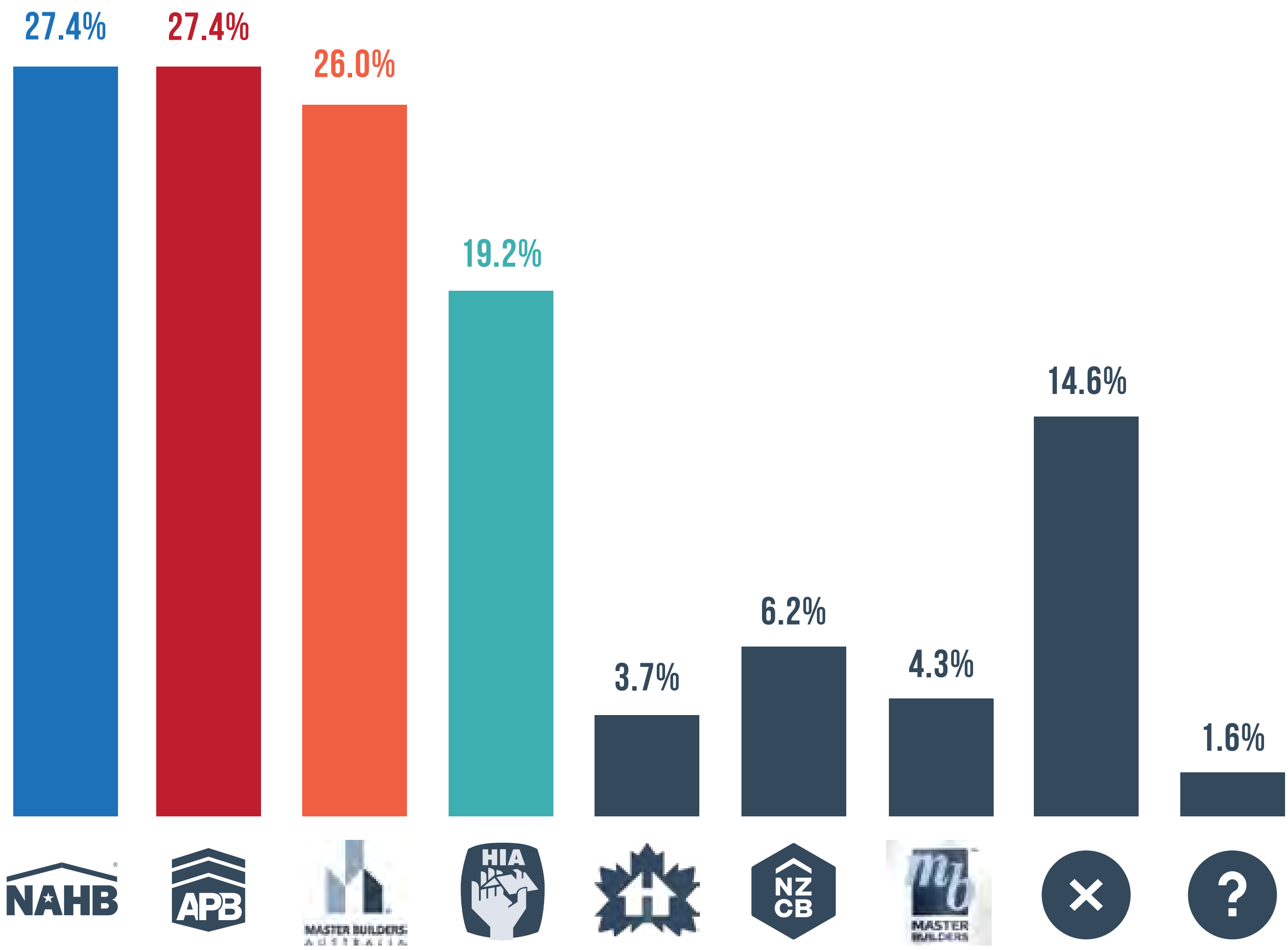
How many projects do you start each year (on average)?



What is the contract value of those jobs each year (on average)?



What associations are you a member of?*



ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
National Association of Home Builders (NAHB)	61.8%	0.0%	5.9%	0.0%
Association of Professional Builders (APB)	20.4%	36.6%	41.2%	16.1%
Master Builders Australia (MBA)	0.0%	68.6%	0.0%	1.6%
Housing Industry Association (HIA)	1.3%	49.0%	0.0%	1.6%
Canadian Home Builders' Association (CHBA)	0.4%	0.0%	52.9%	0.0%
New Zealand Certified Builders Association (NZCB)	0.0%	0.0%	0.0%	51.6%
Registered Master Builders (New Zealand)	0.4%	0.0%	0.0%	33.9%
None	22.2%	5.7%	17.6%	12.9%
I don't know	3.1%	0.0%	0.0%	1.6%

**Respondents were able to select more than one option in this question so results will not equal 100% when doing calculations.*

Does your business have a website?

ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Yes	86.2%	88.7%	97.1%	80.6%
No	13.8%	11.3%	2.9%	19.4%

SALES

While it's disappointing that only 50.3% of building companies have a documented sales process, it is an improvement on 2021 when only 45% had one in place.

What is significant however is that companies that have a documented sales process in place are approximately four times more likely to achieve industry standard gross margins of 25% and above.

As sales continue to slow in 2023 it will be interesting to see how many builders implement a structured approach to selling and how it will affect the margins of those that don't when they are forced to drop their prices in order to win jobs.

Another sales tool that continues to get overlooked is sales scripts. After a positive uptake in 2021, which resulted in 23.4% of building companies making sales scripts a part of their sales process, that figure only increased to 25% in 2022. This is likely a direct reflection of the abundance of opportunities in 2022 enabling salespeople to easily achieve sales targets.

There was definitely a missed opportunity in 2022 for 47.4% of building companies who continued to provide free quotes to consumers. While charging for quotes can still be implemented at any time in the future, there probably wasn't a better time than the past two years to have introduced this strategy which helps to eliminate time wasters and allows builders to get paid for their time.

Charging for quotes also results in higher margins, although it must also be pointed out that 8.2% of building company owners that didn't charge quotes also didn't know their margins which should be a big red flag for any consumer looking for a free quote!

However, of the builders that are charging for quotes 14.1% are marking up their projects by over 33% which is something only 5.7% of the builders providing free quotes are able to do.

The number of builders holding regular sales training remained similar to 2021 with just 20.2% of companies committing to this strategy. The number of building companies with an objections manual in place is still below the 2020 SORCI survey benchmark of 8.7% with just 8.2% of respondents claiming to have one in place. This is most likely a direct reflection of the lack of objections encountered by salespeople throughout 2021 and 2022 as consumers continued to chase builders rather than the other way around.

However, as forewarned in the SORCI Annual Report 2022, objection handling could become forgotten knowledge if it is not documented, and it's a skill that will need to be resurrected during 2023.

As per 2021 and even 2020, generating quality leads is still considered to be the biggest sales challenge for residential home builders with 40.4% of building companies now suffering from this issue.

However, this does not appear to be a problem for builders when dealing with prospects that have been referred to them with 61.2% of respondents claiming they sign at least one contract for every three prospects referred. Despite this incredible conversion rate from a channel that costs little to nothing in order to implement, 54.4% rely on word of mouth for their referrals rather than engaging in proactive strategies that would generate even more opportunities.

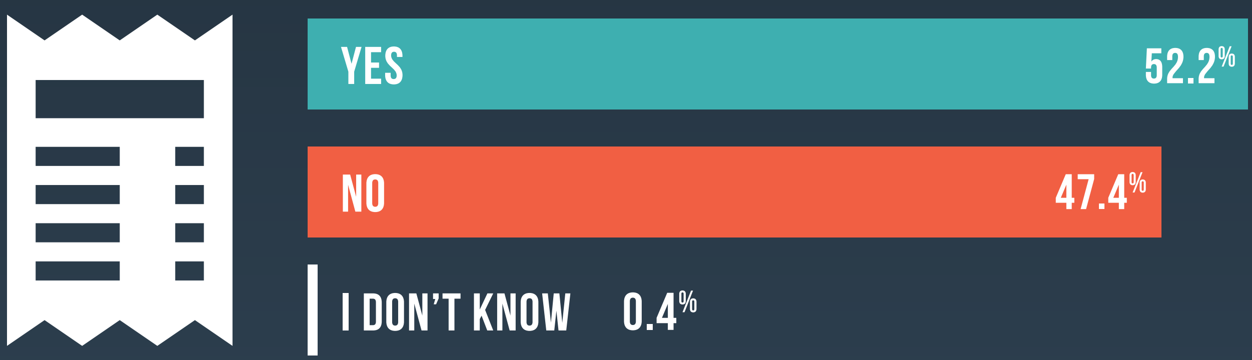
Almost half (48.9%) of the builders surveyed are not measuring their paid leads to contract ratio which makes it difficult for them to establish a budget for their paid lead generation. It's a simple key performance indicator (KPI) to record, however, it's something that continues to get overlooked with 46.4% admitting to not knowing this figure in the 2021 survey which could be a sign of complacency arising from a red hot market.

The rate of growth in new contracts signed slowed in 2022 with only 46.8% of builders expanding their operations compared to 55.6% in 2021, which is understandable given what we now know about supply chain issues and price increases.

Another expected outcome was that 28.7% of building companies actually signed less contracts in the last 12 months compared to 10.7% in 2021's survey data. This is probably due to the backlog of work building up and that so many builders are now booked out from 6-18 months into the future.

The outlook from builders looking ahead to 2023 remains quite similar to 2022 with 46.2% of respondents expecting to sign more contracts than they did in 2022.

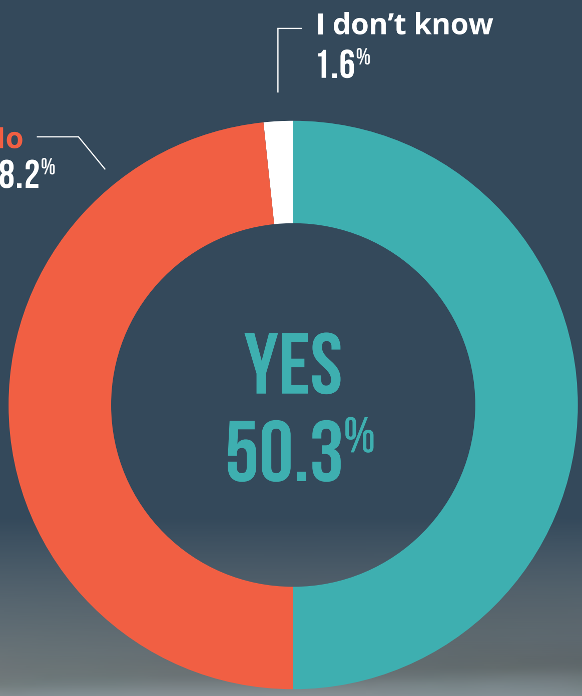
Do you charge for quotes (either as part of a design process, or as a standalone service)?



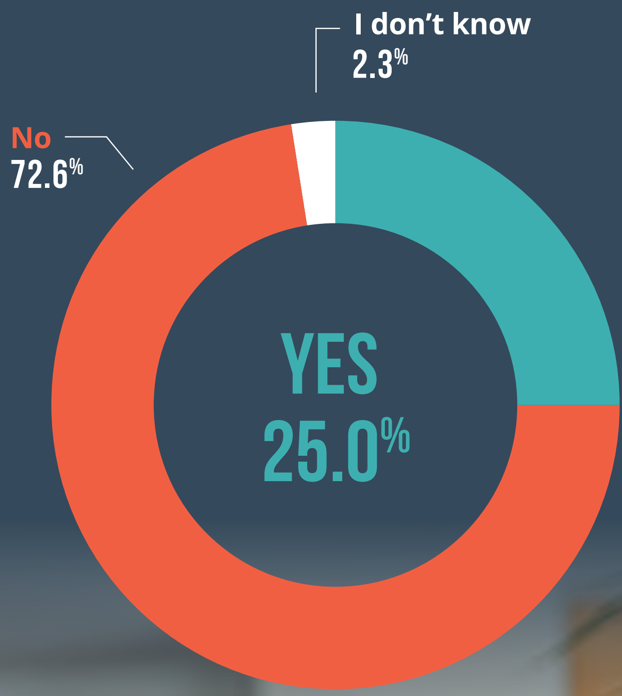
ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Yes	48.4%	58.8%	44.1%	50.0%
No	51.1%	40.7%	55.9%	50.0%
I don't know	0.4%	0.5%	0.0%	0.0%

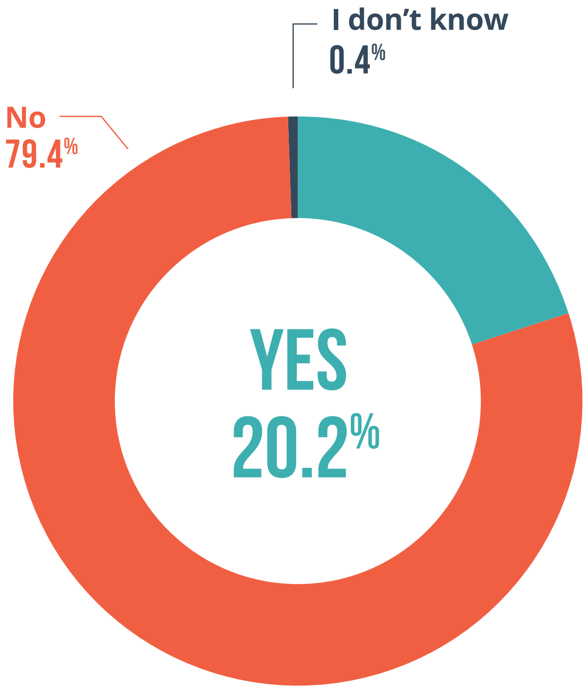
Do you have a documented sales process?



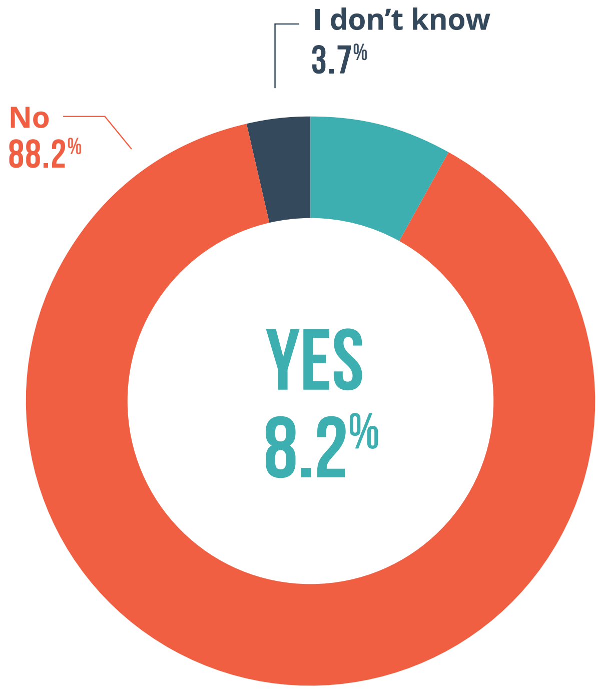
Do you use sales scripts?



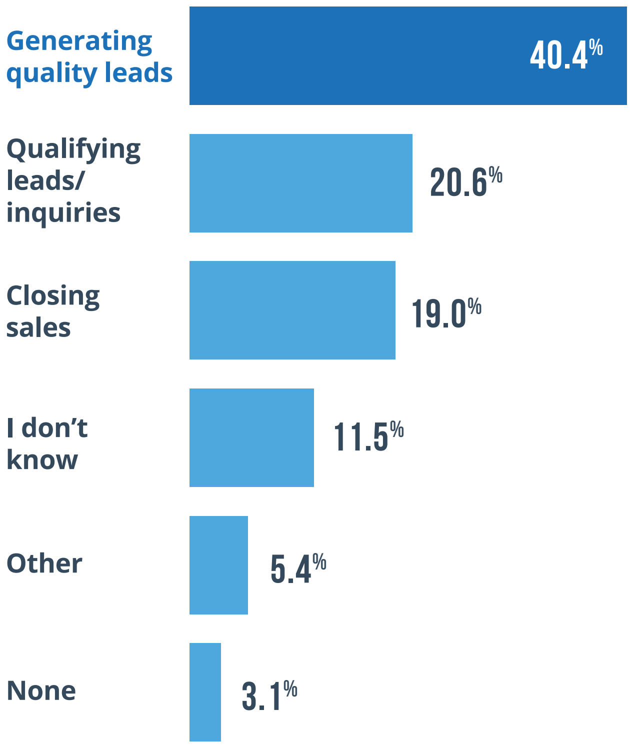
Do you hold and/or participate in regular sales training?



Do you have an objections manual?

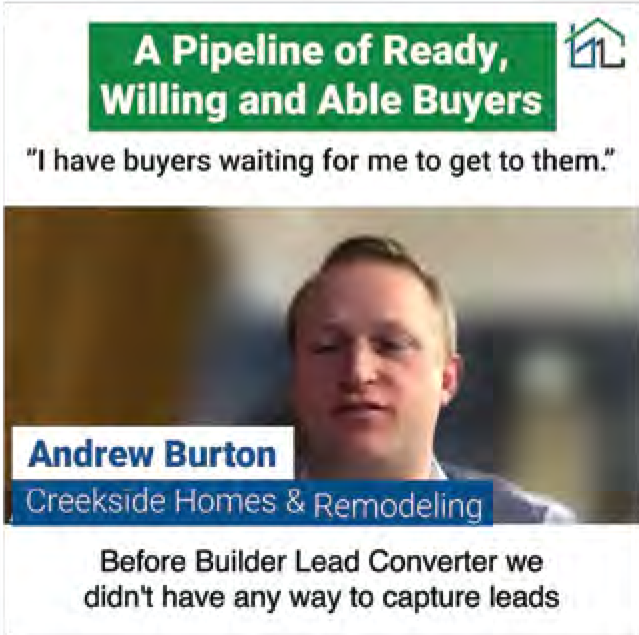


What is your biggest sales challenge?



WANT MORE HIGH QUALITY LEADS?

We Capture & Convert Leads for Builders so They Can Pick & Choose Their Clients



"If I'm talking to 5 lead appointments each week, I'm setting an appoint for a site visit with 3 or 4 of them."

Kelly Anderson,
Ironwood Custom Builders

"You booked an appointment for us that, after going through your nurturing program, is building three homes with us and didn't want to talk to any of our competitors."

Andrew Burton
Creekside Custom Homes & Remodeling

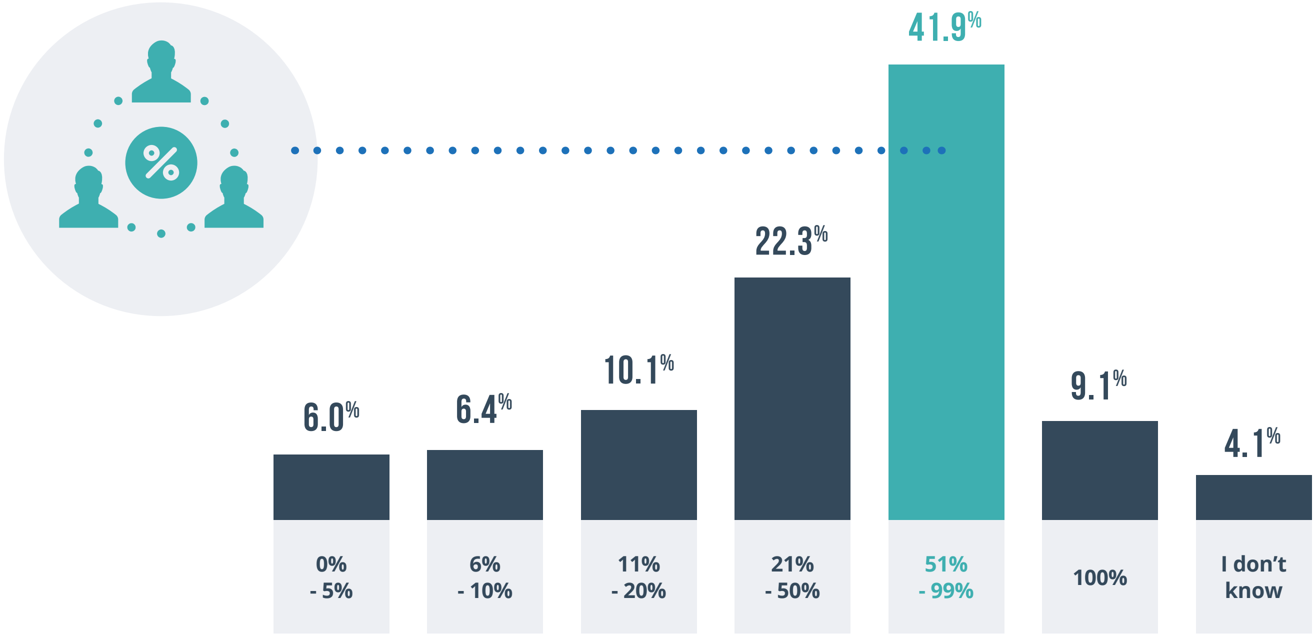
We Capture High Quality Leads & Book Them Into Appointments for Your Remodeling & Home Building Business

BUILDER LEAD CONVERTER
YOUR PERFECT SALES ASSISTANT

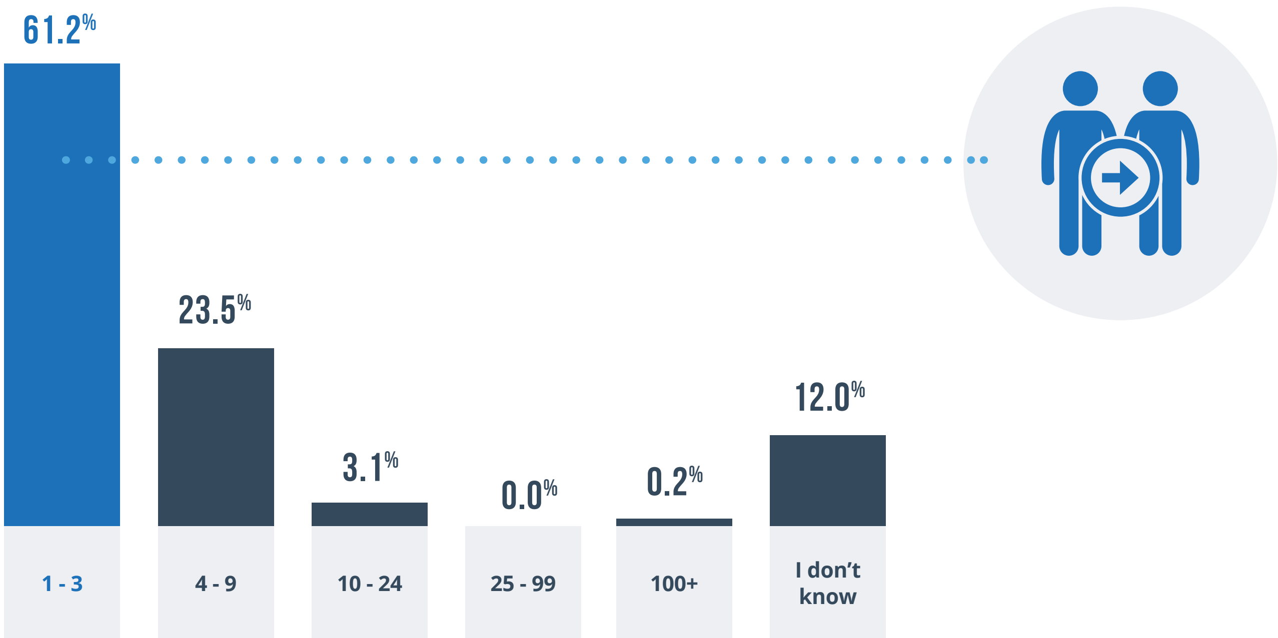
BuilderLeadConverter.com
612-451-0299 ext.1

Schedule Your Strategy Call Today

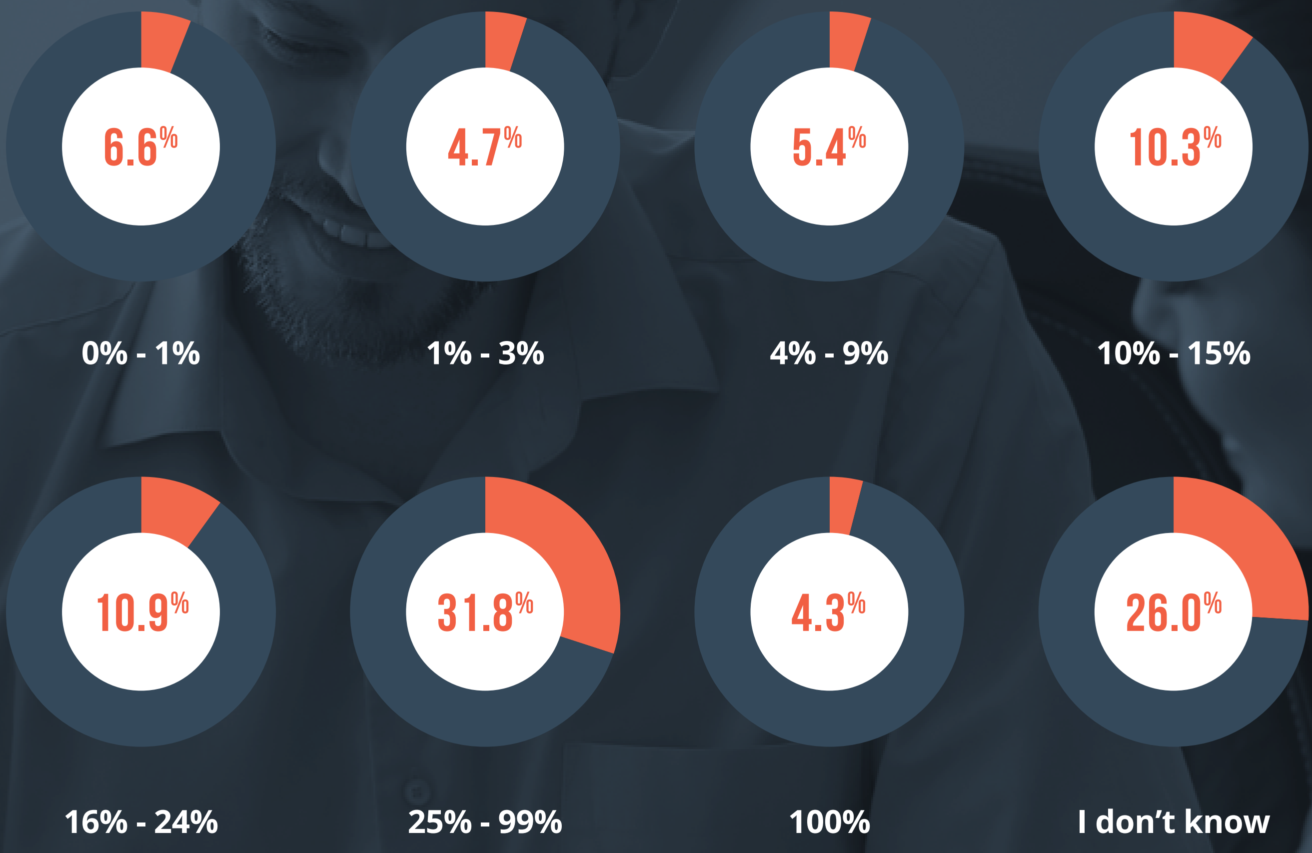
What percentage of your sales are from referrals?



How many referrals do you need in order to sign one contract?



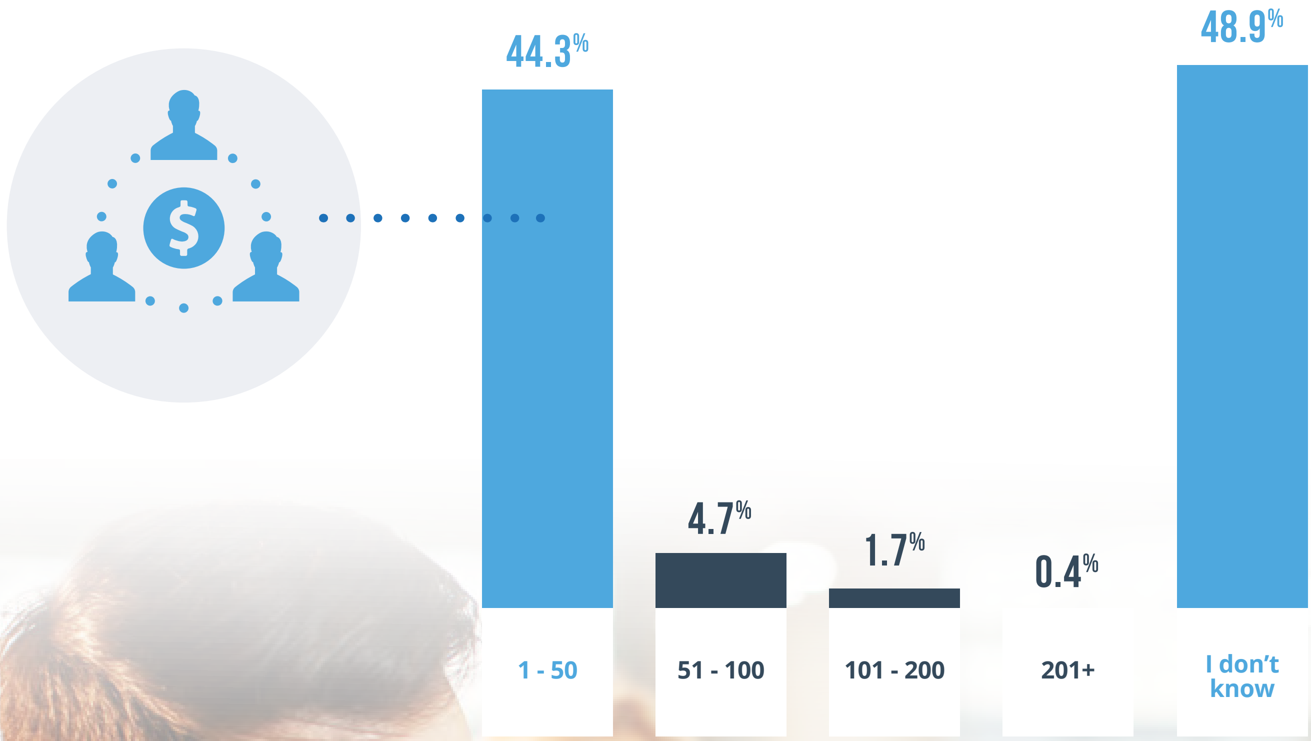
What percentage of your leads are sales qualified leads?



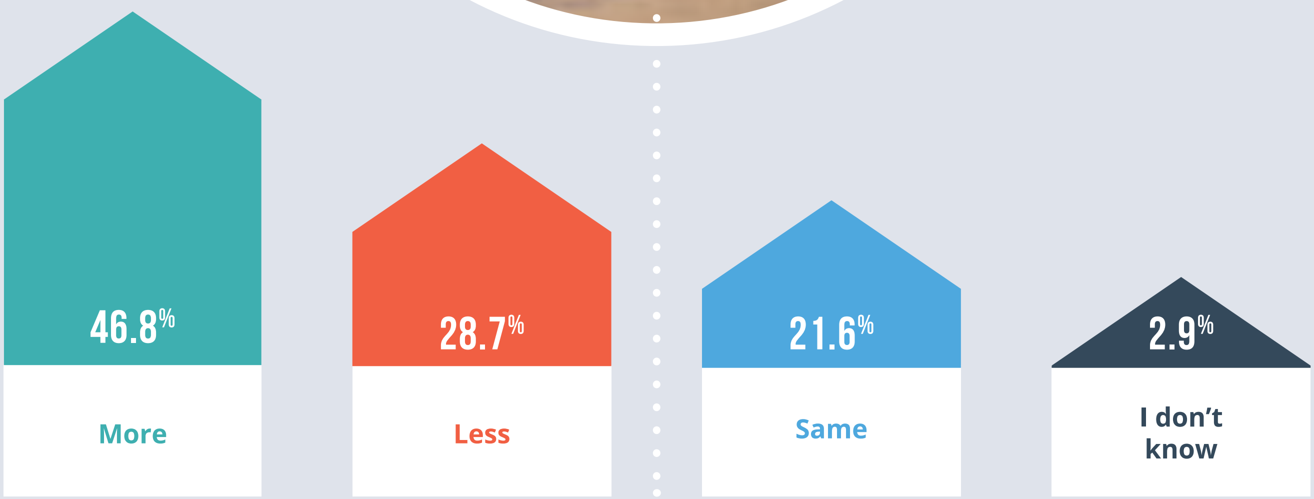
ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
0% - 1%	6.2%	6.2%	2.9%	11.3%
1% - 3%	3.1%	6.2%	8.8%	3.2%
4% - 9%	6.2%	5.2%	2.9%	4.8%
10% - 15%	8.9%	10.8%	17.6%	9.7%
16% - 24%	13.8%	8.8%	11.8%	6.5%
25% - 99%	31.6%	34.0%	32.4%	25.8%
100%	4.0%	4.1%	2.9%	6.5%
I don't know	26.2%	24.7%	20.6%	32.3%

How many paid leads do you need in order to sign one contract?



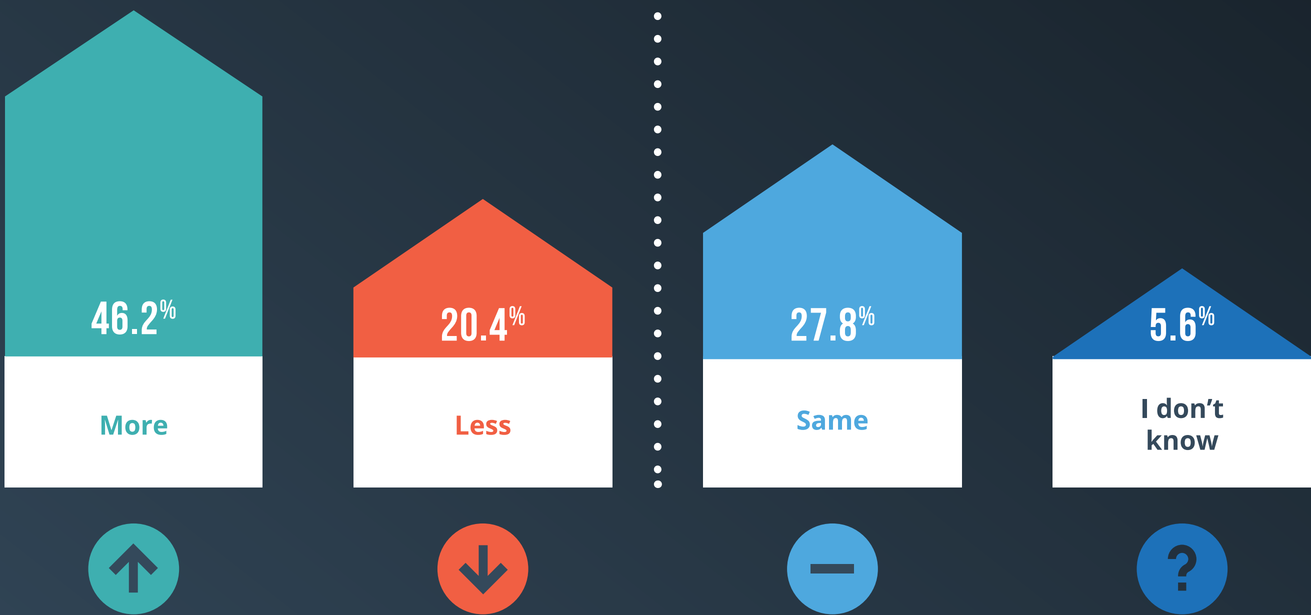
Did you sign more or less contracts in 2022 compared to 2021?



ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
More	45.8%	41.8%	58.8%	59.7%
Less	29.8%	29.9%	29.4%	21.0%
Same	20.0%	25.8%	11.8%	19.4%
I don't know	4.4%	2.6%	0.0%	0.0%

Do you expect to sign more or less contracts in 2023 compared to 2022?



MARKETING

There was a big surprise in the 2022 data when it came to social media marketing with a massive drop in usage for builders everywhere except in Canada where there was a reversal of the trend and usage significantly increased for both Facebook and Instagram.

Builders across all four countries did however continue to utilize YouTube as a platform with builders in Canada once again leading the way with 20.5% of building companies uploading at least one video per month.

Publishing content on a blog remained similar to the 2021 data with 64.1% of building companies not creating any content over the past 12 months. Of the builders that do publish content, 63.6% do it in-house while 35.8% outsource the task.

Incredibly 55.5% of builders still do not have a customer relationship management (CRM) system to manage and follow up on their leads, but of the ones that do utilize a solution, there were no clear winners in terms of a preferred provider.

Unsurprisingly given that 55.5% of builders do not have a CRM, 59.6% of builders never email their databases which is a huge missed opportunity. Currently, just 6.6% of building companies are emailing their databases at least once a week and even that figure is down from 2021.

Looking at the statistics for marketing activity, it's very flat with very few building companies taking advantage of the opportunities that exist. This could be considered understandable behavior when consumers have been climbing over each other to reach builders like they have over the past year. However, it is nonsensical that 40.4% of builders report lead quality as being their number one sales challenge and 41% claim that generating quality leads is their biggest marketing challenge when the data illustrates little to no action is being taken to overcome those challenges.

Blog articles, social media posts and regular emails help to educate prospects and turn them into qualified opportunities, and yet so many builders continue to overlook these powerful strategies.

It's more than likely the reason why the few builders that are marketing correctly are finding it so easy to sign so many contracts at higher and higher margins as there is very little genuine competition for those more marketing-savvy building companies.

BUILDER LEAD CONVERTER
YOUR PERFECT SALES ASSISTANT

Marketing: The Achilles heel of new home and remodeling companies

By Rick Storlie, Chief Lead Converter of Builder Lead Converter

For the last couple of years, builders' marketing efforts, or lack thereof, are now the Achilles heel of new home and remodeling companies. A year ago interest rates in the United States were 3.13% and today they're 6.33%, down from over 7% in October and November of 2022[1]. Fears of a recession are real and inflation rates have calmed, but still topping 7% in many markets.

The list of marketing 'nevers' is concerning with 41.2% and 43.7% never posting on Facebook or Instagram. Additionally, 86.2% reported they never post on YouTube utilizing video - a builder's most powerful story-telling tool. The data further revealed that 64.1% of builders don't blog and 59.6% never email their databases. Is it any wonder over 55.5% of builders don't even use a CRM to manage their databases?

How do builders define marketing? I contend marketing is a coordinated process a builder undertakes to show their leads they are the best company to help them realize the life they want to live in their home. That process begins with activities to capture new leads, establish trust, build value and convert conversations to contracts.

Approximately 41% of builders report their biggest marketing challenge is generating quality leads. Yet, 55.5% generate 50 or less leads annually. Lead generation is a numbers game. It matters where they come from and how long they've known about you. Quality leads are not found by chance, they're developed systematically, over time and more importantly, the vast majority are captured organically, not through paid ads.

The builders that are poised to grow revenue and profits in 2023 and 2024 are those with a basic to advanced marketing strategy that will produce high quality leads, regardless of local market conditions.

Learn more about **Builder Lead Converter**.

1 Freddie Mac, *30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US]*, [online] FRED, Federal Reserve Bank of St. Louis. Available at https://fred.stlouisfed.org/series/MORTGAGE30US.

How many times do you post on the following social media platforms?

Facebook: ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Never	39.1%	44.3%	26.5%	46.8%
Once per week	36.0%	30.4%	35.3%	38.7%
Between 2 - 6 times per week	18.7%	19.6%	29.4%	9.7%
7 or more times per week	1.3%	2.1%	2.9%	0.0%
I don't know	4.9%	3.6%	5.9%	4.8%

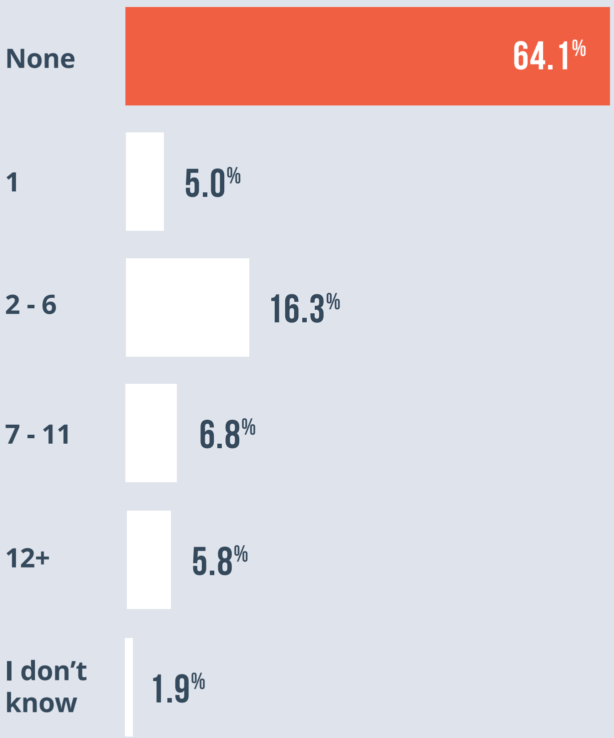
Instagram: ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Never	45.3%	39.2%	17.6%	66.1%
Once per week	28.0%	33.5%	29.4%	21.0%
Between 2 - 6 times per week	17.8%	19.6%	47.1%	9.7%
7 or more times per week	1.8%	2.6%	2.9%	0.0%
I don't know	7.1%	5.2%	2.9%	3.2%

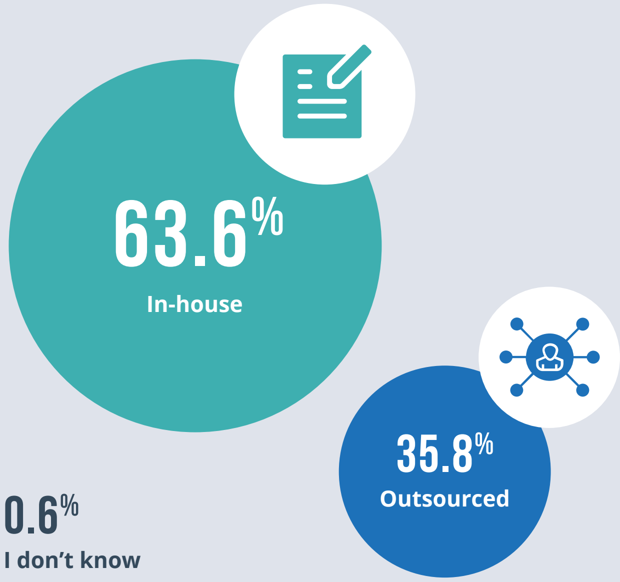
YouTube: ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Never	84.9%	87.1%	79.4%	91.9%
Once per month	6.2%	9.8%	17.6%	4.8%
Between 2 - 3 times per month	4.9%	0.5%	2.9%	0.0%
4 or more times per month	1.3%	0.5%	0.0%	0.0%
I don't know	2.7%	2.1%	0.0%	3.2%

How many articles/blog posts do you publish each year?

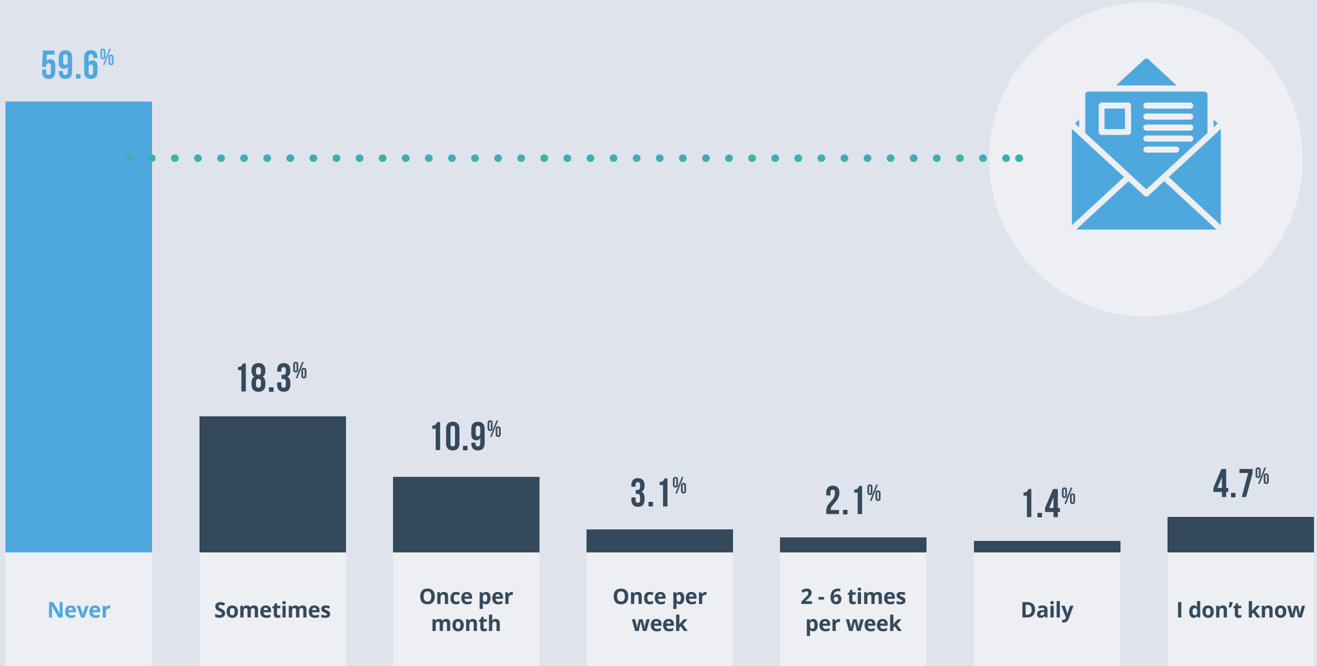


Who writes your articles/blogs?*

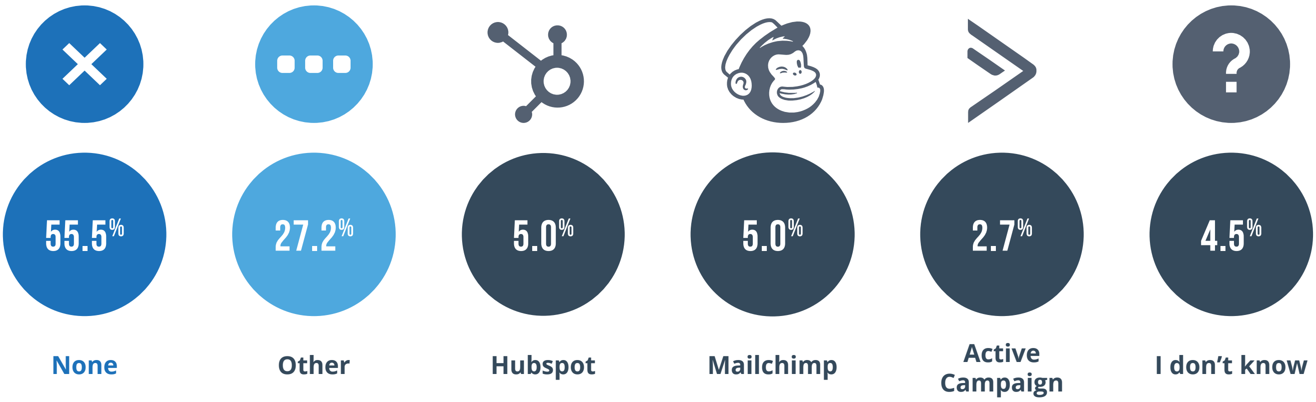


*This data excludes respondents who selected 'None' and 'I don't know' in the question, "How many articles/blog posts do you publish each year?".

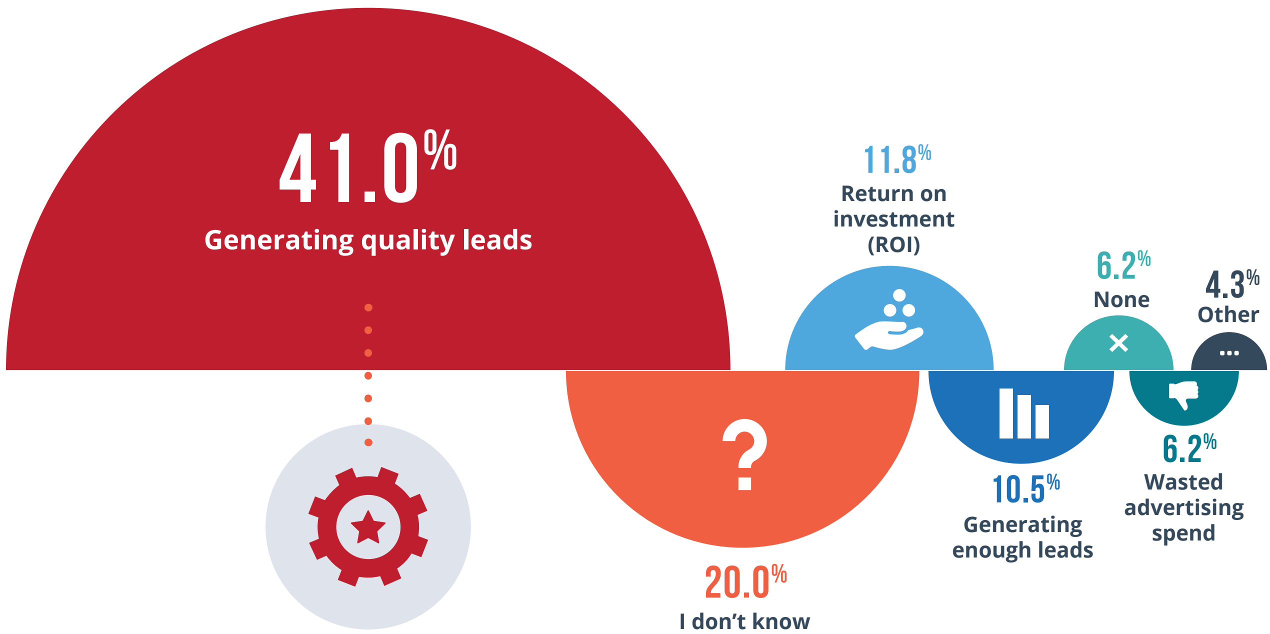
How frequently do you email your database?



What Customer Relationship Management (CRM) system do you use?



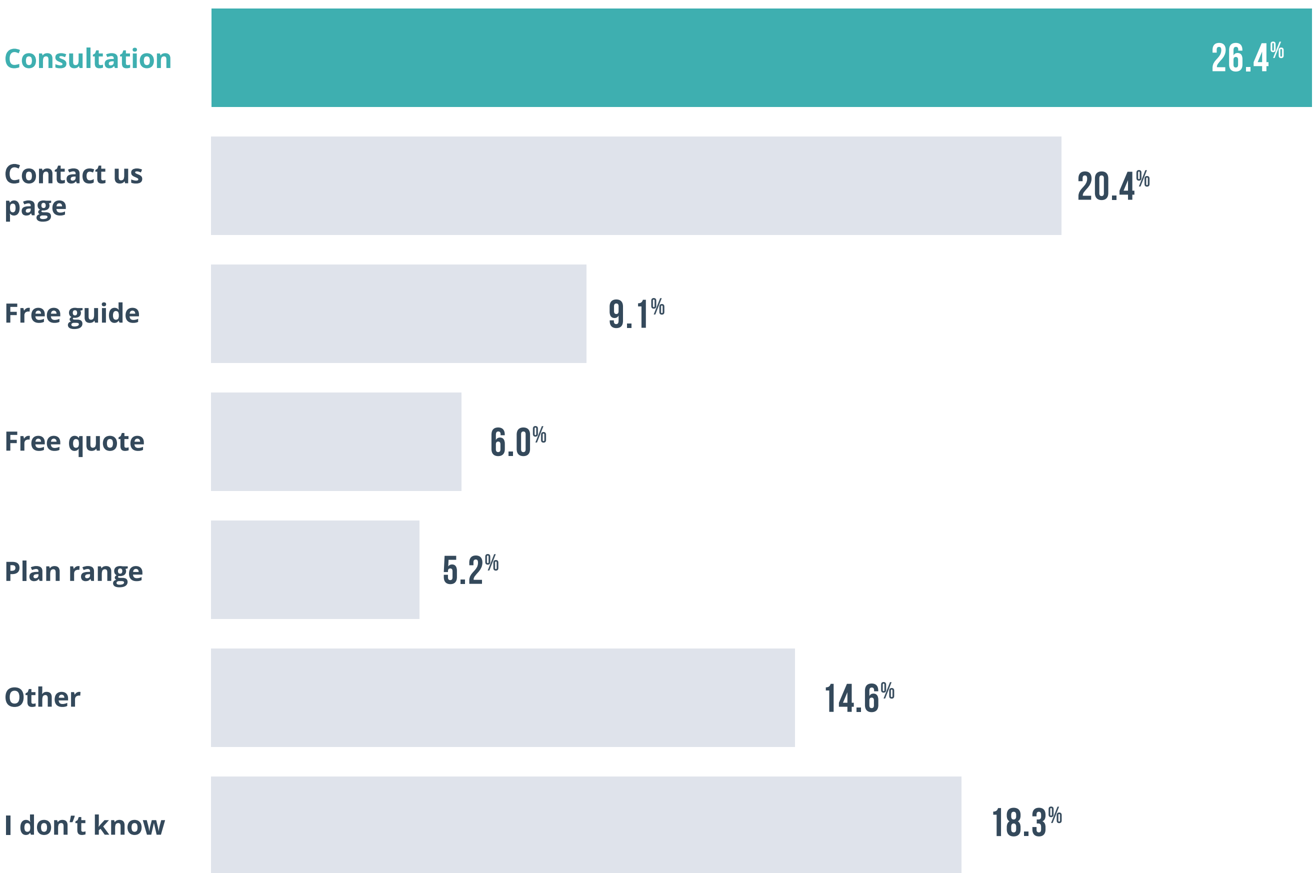
What is your biggest marketing challenge?



ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Generating enough leads	8.9%	12.9%	11.8%	8.1%
Generating quality leads	38.2%	39.2%	55.9%	48.4%
Wasted advertising spend	6.7%	6.7%	8.8%	1.6%
Return on investment (ROI)	14.7%	10.3%	2.9%	11.3%
Other	4.4%	5.2%	0.0%	3.2%
I don't know	21.8%	19.1%	20.6%	16.1%
None	5.3%	6.7%	0.0%	11.3%

What is your primary marketing strategy (eg your lead magnet) for generating new leads?



ADVERTISING

Builders in Canada continued to lead the way in terms of utilizing paid advertising just like they did in 2021 alongside New Zealand. This past year however saw a decrease in the number of New Zealand builders using paid advertising which may be linked to the devastating impact of material shortages that caused thousands of jobs across the country to grind to a halt.

There was a clear downward trend in the number of builders advertising on Facebook during the year which was likely attributed to the Apple iOS 14.5 update which launched in 2021. The update limited the data available for targeting and as a result severely impacted results for a lot of advertisers in the following year.

Another significant find was the increase in the number of builders now paying to advertise on Instagram. It's possible that builders chose a deliberate switch in strategy during the year as their ads began to achieve improved results from this channel.

Interestingly, almost two-thirds (59.3%) of builders managed their own paid advertising on Facebook while 36.8% outsourced that work. When it comes to managing Google Ads and paid advertising on YouTube, those trends were reversed with approximately one-third (36.5% and 30% respectively) undertaking the work in-house and approximately two-thirds (62.7% and 60% respectively) outsourcing to the experts.

Canada not only had more builders advertising than the other countries, but they also spent a far larger percentage of revenue on advertising with 20.6% of building companies spending the APB recommendation of 3% or more on marketing their businesses in 2022, which was almost double the average.

Despite the amount of money being invested in marketing, 61.4% of builders do not have a clear idea of what they can afford to spend in order to acquire a lead. This percentage aligns with data revealed in the Sales section where almost half (48.9%) of the respondents did not know how many paid leads they needed to generate in order to sign a contract.

Understanding important KPIs, such as average contract value and leads per contract, enables the owner of a building company to establish a target budget per lead for the marketing team to work with.

It's also the only way to scale up a building company safely and securely without overspending on advertising.

Slightly more respondents (66.6%) didn't know their actual cost per lead compared to those that didn't have a target for lead acquisition (61.4%). This suggests that 5.2% of builders that have a budget for lead acquisition, are not measuring their results, which is the only way to measure the performance of advertising channels and campaigns.

John Wanamaker (1838-1922) famously said, "Half the money I spend on advertising is wasted; the trouble is I don't know which half." However, that was then. With all of the tracking now available to us, it does not have to be like that. Builders can expect to see a return on every dollar they spend on digital advertising.

There has been a slight trend in moving away from search engine optimization (SEO) strategies in 2022 with 61.6% of builders now choosing to ignore SEO as a strategy compared to 56.2% in 2021.

One of the most worrying statistics in the advertising data was the fact that 50.1% of the building companies surveyed are relying on referrals for more than half of their leads. While referred leads are typically of great quality and are more likely to result in a contract signed at higher than normal margins, it's a dangerous situation to be reliant on them for sales. This is because if referrals are being generated by, as an example, word of mouth (which the survey results indicate that most are), then the building company's future is out of the owner's control.

Conversely, a building company that receives 80% of its leads through paid advertising is in greater control of its sales funnel and construction slots and can therefore turn things up or down at will.

Another factor to consider for builders relying too heavily on referrals, is that their margins are suffering. Builders that generate over 90% of their leads through other strategies have much higher margins than those that generate most of their leads from referrals.

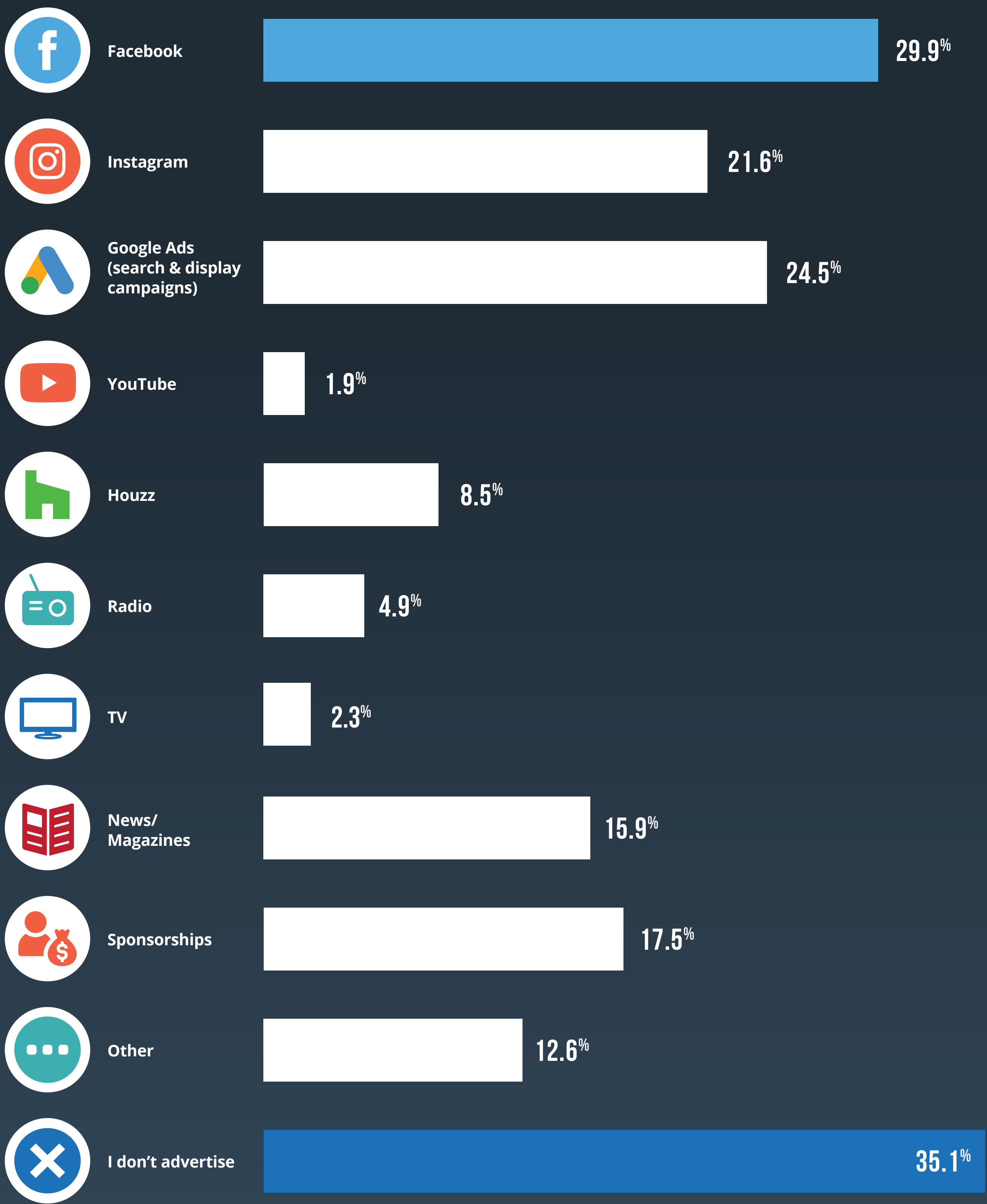
Where do you spend money on advertising?*

ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Facebook	24.9%	31.4%	38.2%	38.7%
Instagram	12.0%	26.8%	50.0%	24.2%
Google Ads (search & display campaigns)	26.7%	19.1%	35.3%	27.4%
YouTube	1.8%	2.1%	2.9%	1.6%
Houzz	10.7%	4.6%	23.5%	4.8%
Radio	6.7%	1.5%	5.9%	8.1%
TV	2.2%	2.1%	2.9%	3.2%
News/magazines	19.6%	9.8%	26.5%	16.1%
Sponsorships	19.6%	12.4%	20.6%	24.2%
Other	16.0%	8.2%	14.7%	12.9%
I don't advertise	33.3%	40.7%	20.6%	32.3%

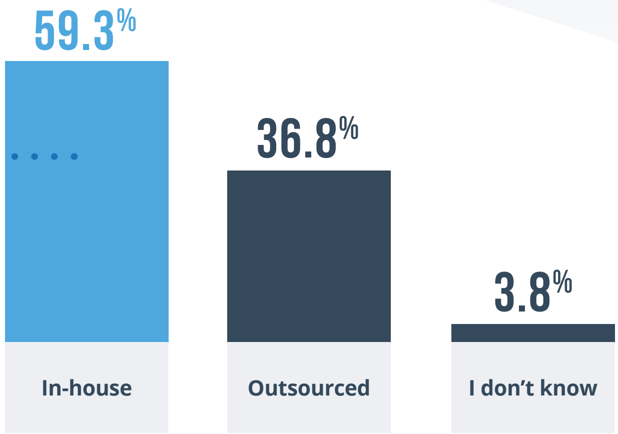
**Respondents were able to select more than one option in this question so results will not equal 100% when doing calculations.*

Where do you spend money on advertising?*



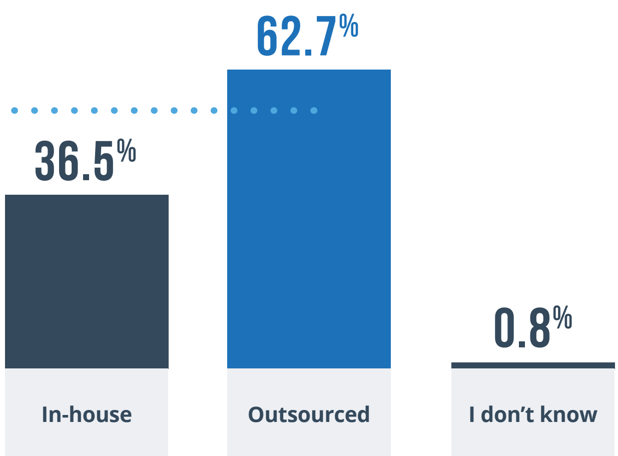
**Respondents were able to select more than one option in this question so results will not equal 100% when doing calculations.*

Who does your paid advertising on Facebook?



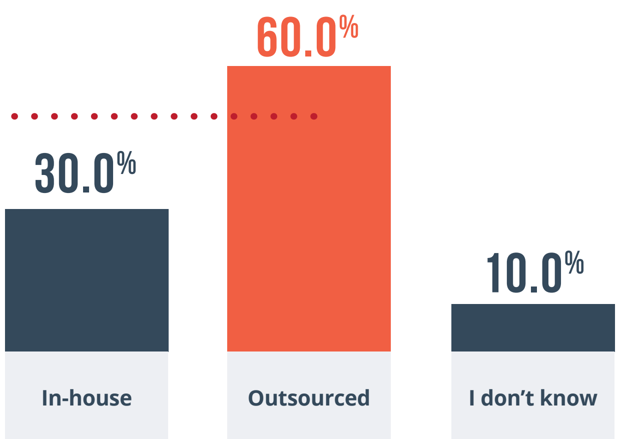
**This data excludes respondents who did not select 'Facebook' in the question, "Where do you spend money on advertising?".*

Who does your paid advertising on Google Ads (search and display campaigns)?



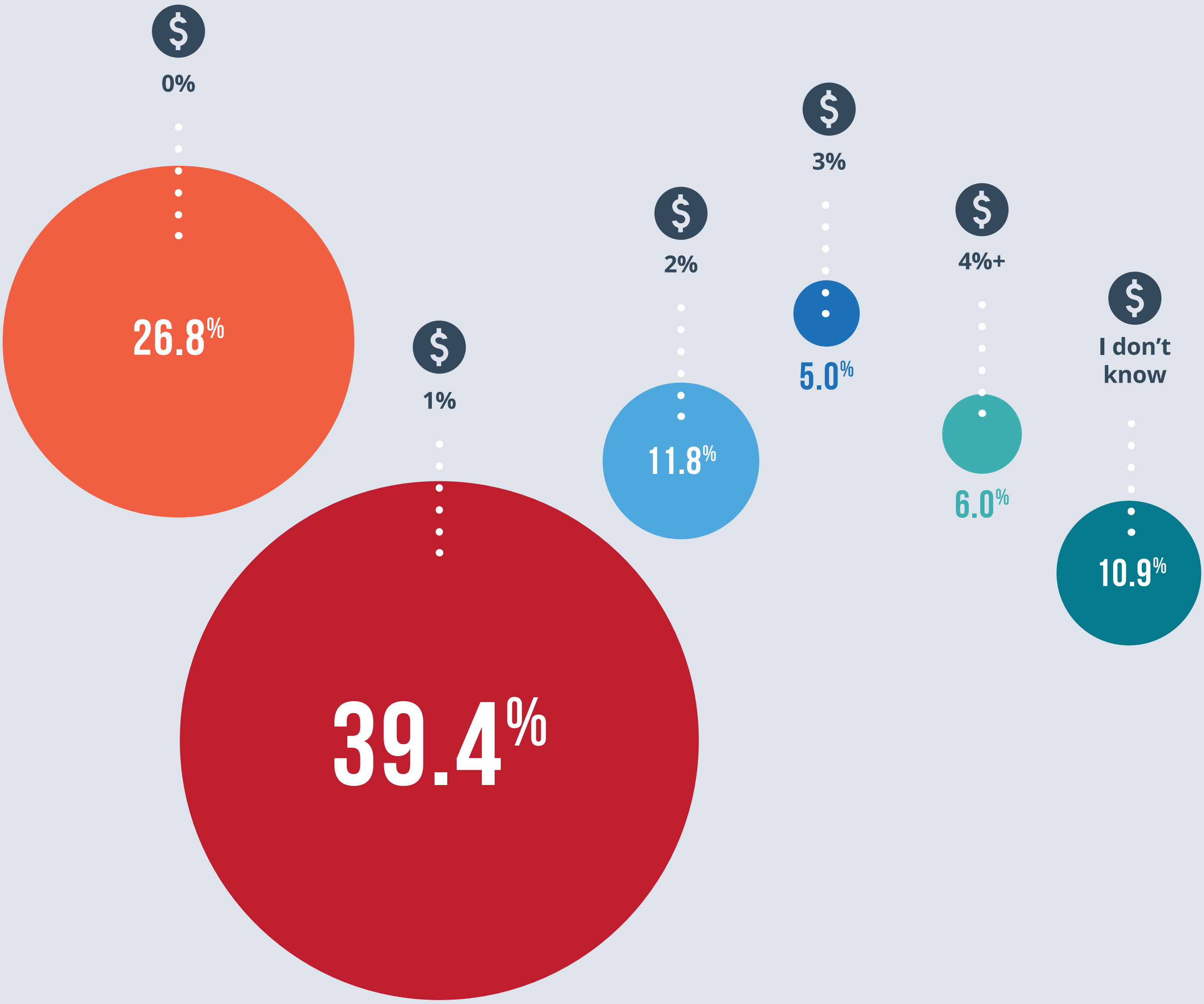
**This data excludes respondents who did not select 'Google Ads (search and display campaigns)' in the question, "Where do you spend money on advertising?".*

Who does your paid advertising on YouTube?



**This data excludes respondents who did not select 'YouTube' in the question, "Where do you spend money on advertising?".*

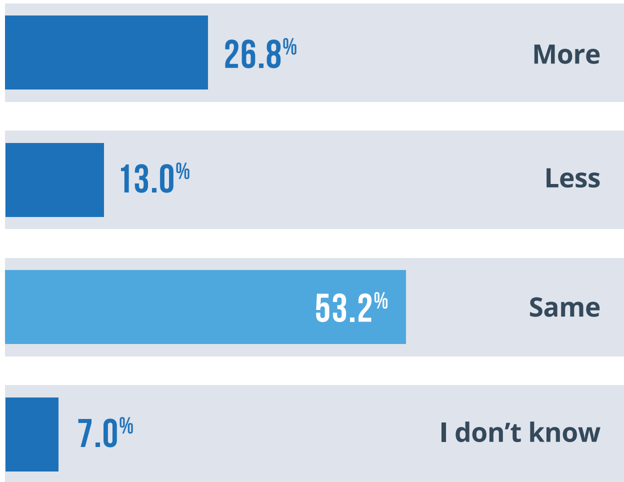
What percentage of your revenue did you spend on marketing in 2022?



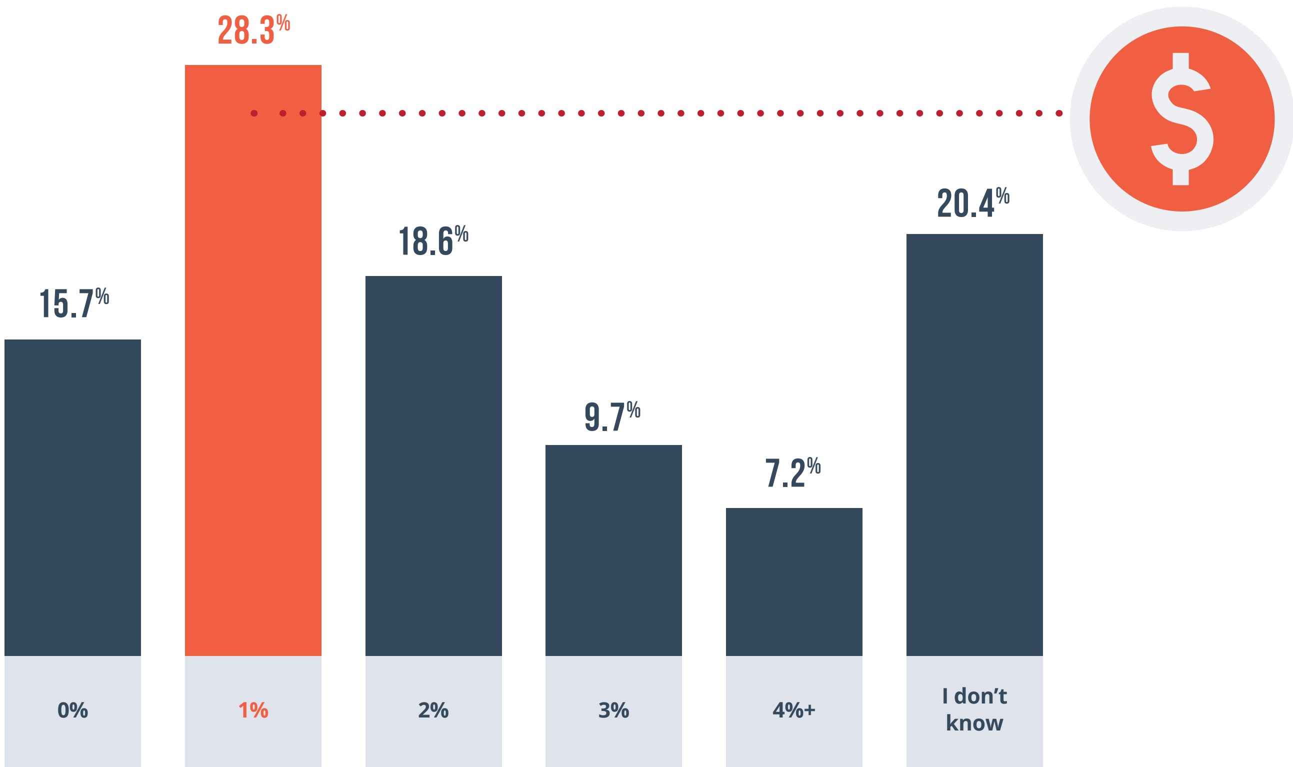
ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
0%	25.8%	30.9%	11.8%	25.8%
1%	36.4%	38.7%	44.1%	50.0%
2%	14.7%	10.3%	8.8%	8.1%
3%	6.2%	3.1%	8.8%	4.8%
4%+	7.6%	3.1%	11.8%	6.5%
I don't know	9.3%	13.9%	14.7%	4.8%

Did you spend more money on marketing in 2022 than you did in 2021?



What percentage of revenue do you plan to spend on paid advertising in 2023?



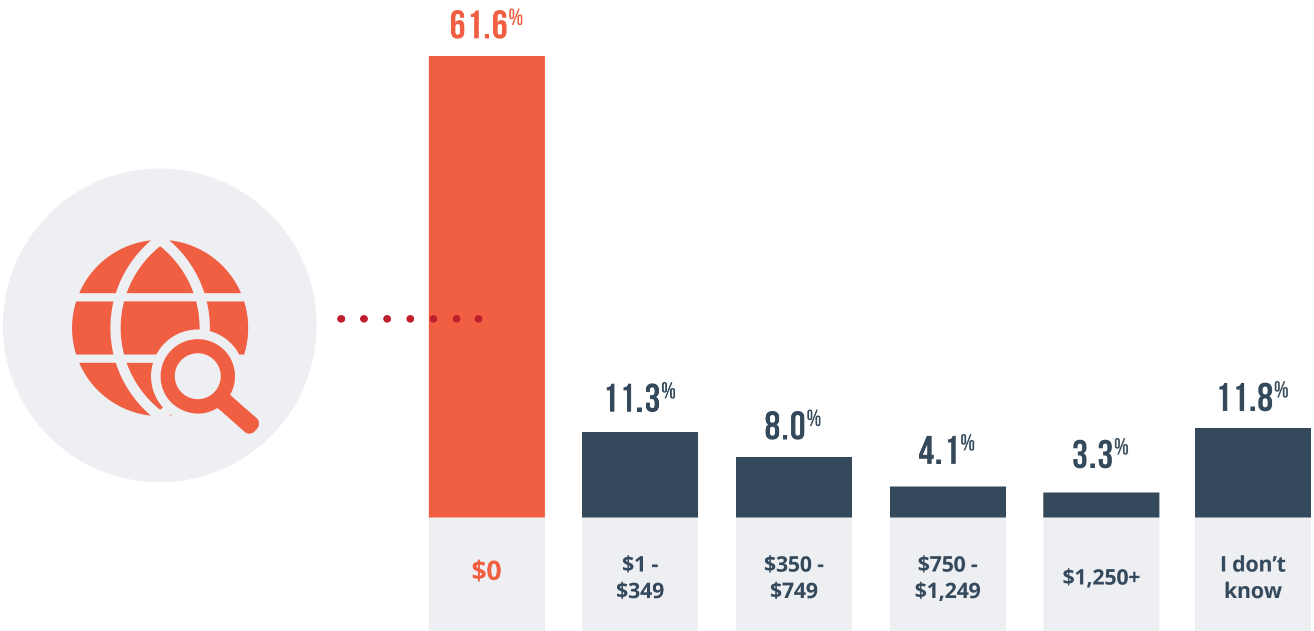
What is your target/budgeted cost per lead?

$1 - $24	16.9%
$25 - $49	9.1%
$50 - $74	2.7%
$75 - $99	2.5%
$100+	7.4%
I don't know	61.4%

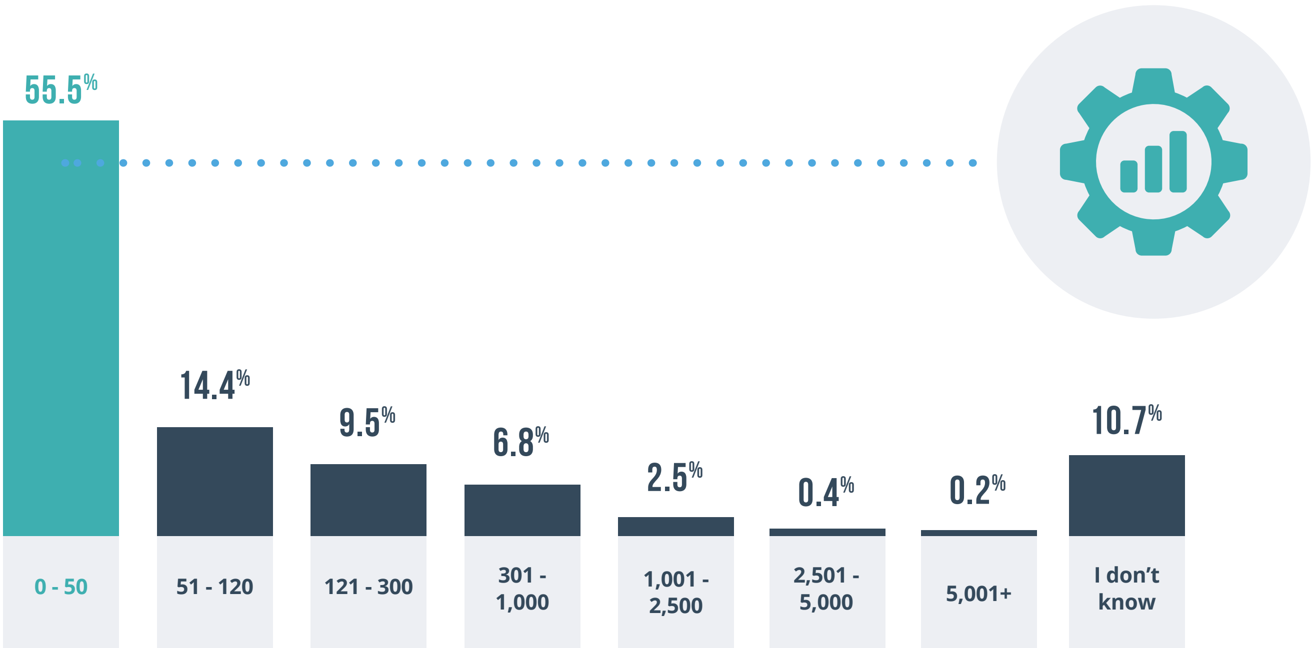
What is your actual cost per lead?

$1 - $24	12.4%
$25 - $49	5.4%
$50 - $74	3.9%
$75 - $99	3.1%
$100+	8.5%
I don't know	66.6%

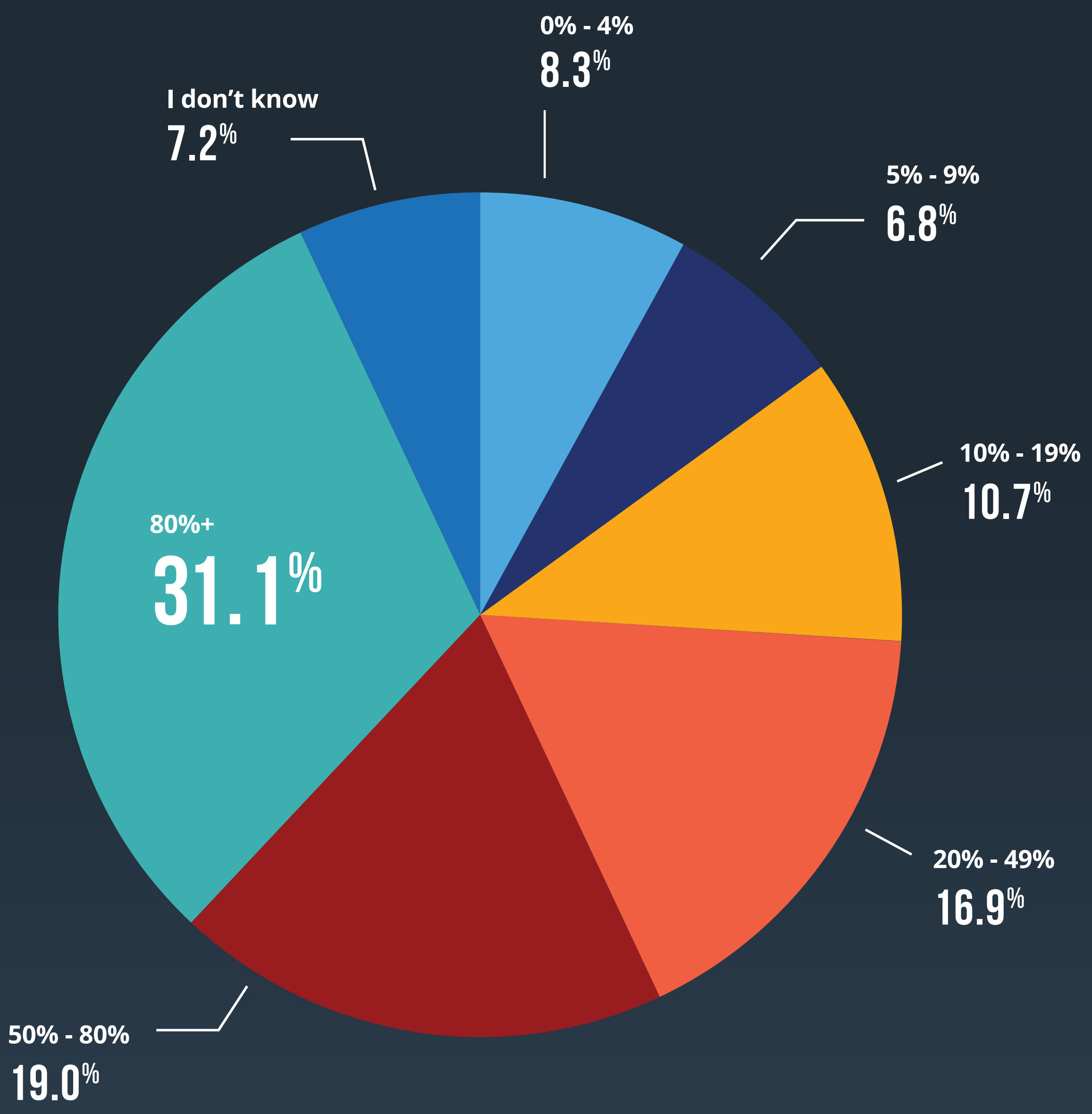
How much do you spend on Search Engine Optimization (SEO) services per month?



How many leads did you generate in 2022?



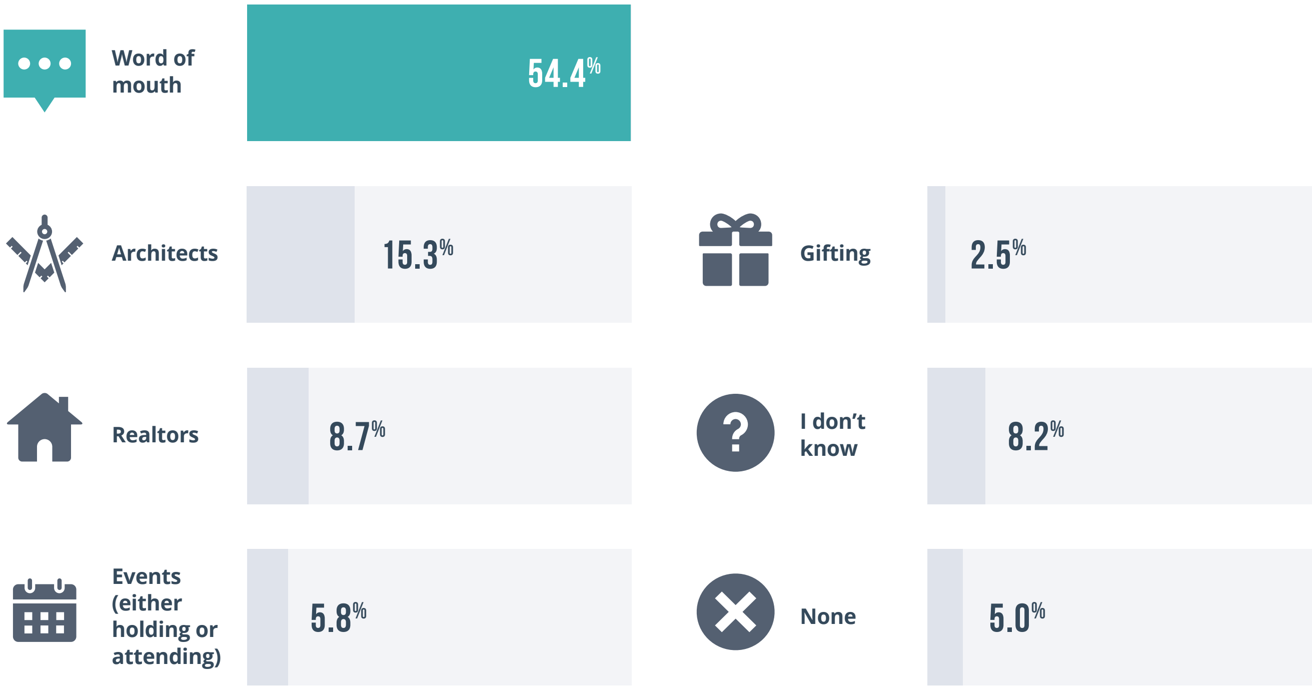
What percentage of your leads are from referrals?



ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
0% - 4%	8.0%	7.7%	5.9%	12.9%
5% - 9%	8.4%	6.2%	5.9%	3.2%
10% - 19%	12.4%	9.8%	11.8%	6.5%
20% - 49%	19.1%	13.9%	17.6%	17.7%
50% - 80%	17.3%	20.6%	26.5%	16.1%
80%+	27.6%	34.5%	26.5%	35.5%
I don't know	7.1%	7.2%	5.9%	8.1%

What is your #1 strategy for increasing the number of referrals you generate?



PROJECTS

Despite all the challenges being faced by builders around the world in 2022 due to extreme weather, staff shortages and supply chain issues, an incredible 57.7% of projects were delivered on time. Even though this is a marginal decline from 63% in 2021, considering the severity of the challenges experienced in the industry worldwide, this is still a very positive result.

This is clear evidence that while the situation did not improve in 2022 and arguably got even worse than in 2021, builders adapted and planned accordingly.

It's incredibly important for builders to know their fixed expenses per-job-per-day particularly when 35.1% of projects ran late. Fortunately, the majority of builders (51.7%) now do know that number compared to 49.1% in 2021.

However, it remains a concern that so many builders still do not fully understand how much a one-day delay is costing them, especially as that money comes directly off their bottom line. Even an average $750,000 build with delays can lose a builder around $670 per day, in which case, with so many builders taking on projects valued at $1 million or more, that figure will be significantly higher with a one-week delay costing them thousands of dollars in hard cash.

Delivering more projects on budget presented more challenges for building companies with 38.3% of projects finishing up over budget compared to 28.7% in 2021. This is most likely a result of builders taking more drastic actions in order to keep projects moving which most often results in higher prices being paid to secure subcontractors on site, in addition to the price escalations of materials.

While taking extra measures to keep a project moving forward might have been a solid business decision in that it reduces the costs associated with delays, it also exposes the reason why builders need to frequently update the timelines in their estimates and quotes in order to ensure an accurate amount is being allowed for fixed expenses in their costs. This is a fundamental principle that APB members use when pricing their jobs using the Pricing 4 Profit method, as opposed to the traditional method of applying a markup to the cost of labor and materials.

There was a big decrease in the number of building companies that did not know their invoiced costs at the end of each project with the figure reducing from 7.4% to 3.1%. This is great news for the industry as it shows that the residential sector is continuing to become more professional year on year.

Subcontractor delays continued to be the primary challenge for 37.1% of builders in 2022. For New Zealand builders, this situation overtook difficulties in sourcing materials which was their biggest concern in 2021.

A sign of the times we now operate in prompted a new question for 2022 which delved into the controversial topic of cost escalation clauses in contracts. Understandably, due to different government legislation in different countries, the percentages were vastly different depending on where building companies operated. New Zealand led the way with 85.5% of building companies protected by cost escalation clauses (also known as rise and fall clauses).

Most builders in the United States (61.8%) were also protected by these clauses, however just 44.1% of Canadian builders and a mere 33% of Australian builders have included these clauses as special conditions to their contracts, highlighting the cultural difference in Australia that has put so many building companies at risk over the past two years.

In order to provide more context to this number, it must also be noted that Australian builders in the states of Victoria and Western Australia are prohibited from adding cost escalation clauses to building contracts with a value of less than $500,000. Regardless of the restriction, it would be wise for more builders in Australia to adopt these clauses in order to protect their businesses, even if that means they need to adjust their business models to focus on larger contracts in order to avoid being legislated into bankruptcy.

Another reason a lot of builders in Australia struggle to implement these clauses is because the financial institutions tend to reject them, preferring instead to place all of the risk on the builder rather than on their client and ultimately themselves.

This is largely due to the fact that Australian banks calculate lending ratios that overleverage the consumer, rather than including a buffer amount to cover additional costs such as contract variations and of course, cost escalations, which is something banks across New Zealand and the United States all factor into their numbers.

More evidence that proves our industry continues to become more professional each year was revealed in the fact that 54.2% of builders now have a documented handover process in place compared to 48.5% in 2021. Promisingly, more builders are now performing post project completion audits, an exercise that analyzes budget, timeline and client feedback, with 52% of building companies now performing this process compared to just 42.6% in 2021. The reason these audits are so important is because the information can be used immediately to improve the accuracy of all future estimates and quotes with regard to the budget and job schedule.

Collecting a net promoter score (NPS) for clients is also on the increase, however it still remains a small percentage of builders (7.4%) who are pursuing this feedback from their clients.

Why builders are still optimistic about the future of construction – despite a looming recession

By Dan Houghton, CEO and Co-founder of Buildertrend

It's now been three years since the world was rocked by the emergence of COVID-19, but the construction industry at large still feels its effects. Inflation, labor shortages and supply chain constraints are just a few of the hardships construction businesses have endured since 2020. Despite these continuing difficulties that remain largely out of their control, our builders are still optimistic about the future.

Buildertrend survey results show that 53% of builders who use our platform say they have more work than they can handle and 47% expect to increase profits in 2023[2]. APB also shows 72% of builders surveyed have a higher revenue target for 2023 than the previous year. The fact that a majority of builders anticipate success while in an economic downturn is a testament to the efficiency of a construction management platform.

According to APB survey results, Buildertrend is the industry leader in construction management solutions. The data shows 81.1% of teams plan to continue investing in software – and 26% actually plan to invest more than the previous year. Software can help with the main project challenges builders are facing today due to macroeconomic hurdles, according to the survey results. Here's how it can help address them:

- **Subcontractor delays:** the labor shortage due to the construction boom has empowered subcontractors to be pickier with the jobs they bid on and which general contractors they choose to work with. To attract the best trades, general contractors need to strengthen their relationships with subcontractors – and construction technology is the key. With tech on their side, general contractors can communicate better, send clean bid invitations and rely on stable cash flow.

2 Buildertrend (2023), 2023 Residential Construction Outlook, [online] Buildertrend. Available at: https://buildertrend.com/ebooks/construction-outlook-2023.

- **Cost overruns:** as we face an economic downturn and a looming recession, it's important for builders to have a full understanding of their business' financial health. Those that succeed through uncertain times know their numbers inside and out. Without visibility into costs and financial management, budgets go over, profits are lost and businesses suffer. Financial tools such as estimating and takeoff software ensure numbers are accurate and help builders avoid unwanted surprises.
- **Material delays:** supply chain constraints have derailed construction timelines for far too long. It's up to builders to start planning ahead and increasing productivity throughout other stages of the project to stay on schedule. Project management software allows for better project planning, so builders can forecast what's to come and prepare for potential delays. They shouldn't be working solely on the current project – they need to plan ahead for the next job in the pipeline.

Successful builders are committed to pivoting and investing in their businesses. Always striving to get better. That's what we at Buildertrend are doing, too. In 2023, our main goal is to get serious about investing in our platform to make it even better at solving the hurdles builders will face in the future.

As Buildertrend's CEO and Co-founder, I get an inside look at how innovative technology helps construction teams calm the chaos in their business. Managing projects with spreadsheets and paper files is only adding to the stress of keeping a company afloat during a fluctuating market.

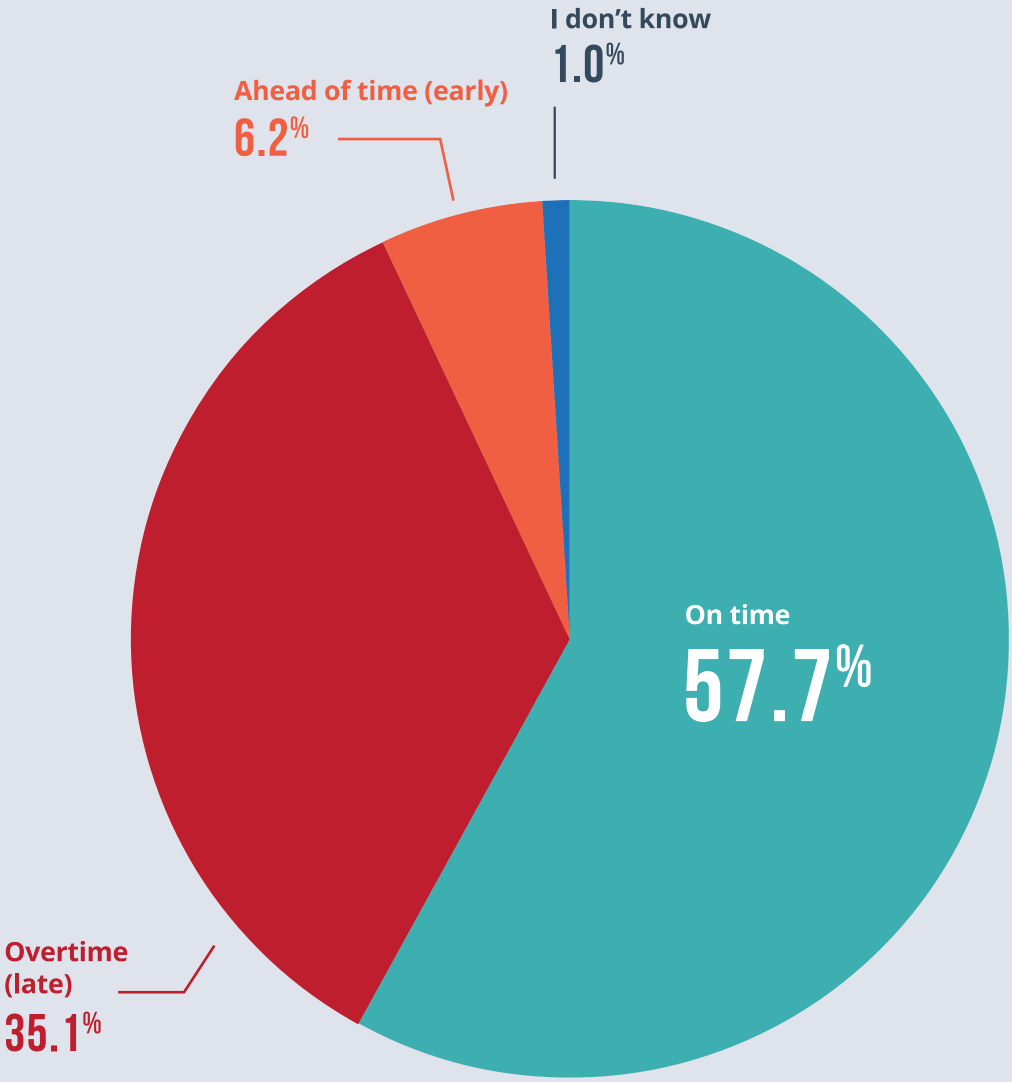
Survey results from APB show only 15.3% of builders work less than 40 hours a week on average, while 13.4% work 56-60 hours. This shows it's time to make necessary changes, and learn to work simpler with construction technology.

That's exactly how Tass Construction Group, a custom home builder in Sydney, Australia, was able to get more organized and prevent potential delays by planning ahead.

"Buildertrend really lined up with our service and has allowed us to catch client changes early on, so we're not incurring any further costs," Ryan Jenkins, Supervisor of Projects, recently told our team.

The future of construction is looking up – even with tough times ahead. Invest. Plan. Change. Make your business better. With innovative technology in your tool belt, you're equipped to tackle the coming challenges of 2023 with confidence and optimism.

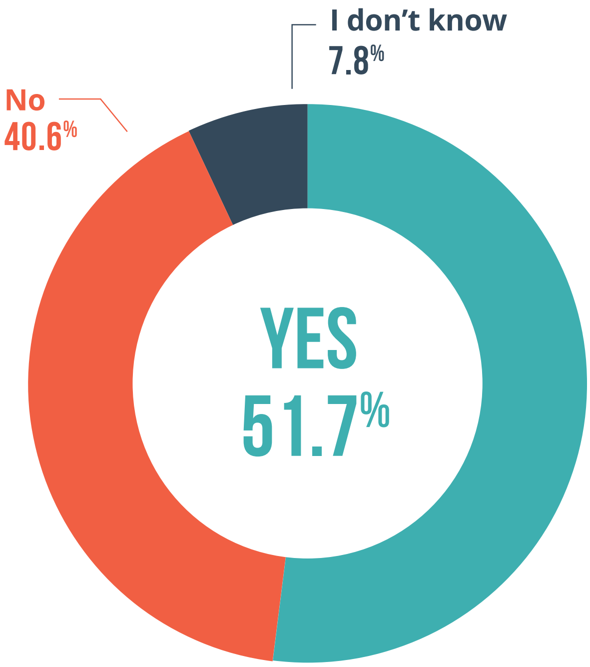
Are the majority of your projects delivered by the agreed finish date?



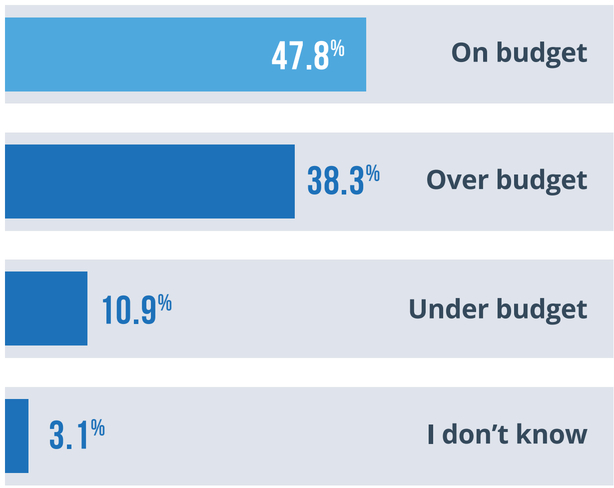
ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
On time	59.6%	53.1%	58.8%	64.5%
Overtime (late)	34.2%	38.1%	35.3%	29.0%
Ahead of time (early)	5.3%	7.7%	5.9%	4.8%
I don't know	0.9%	1.0%	0.0%	1.6%

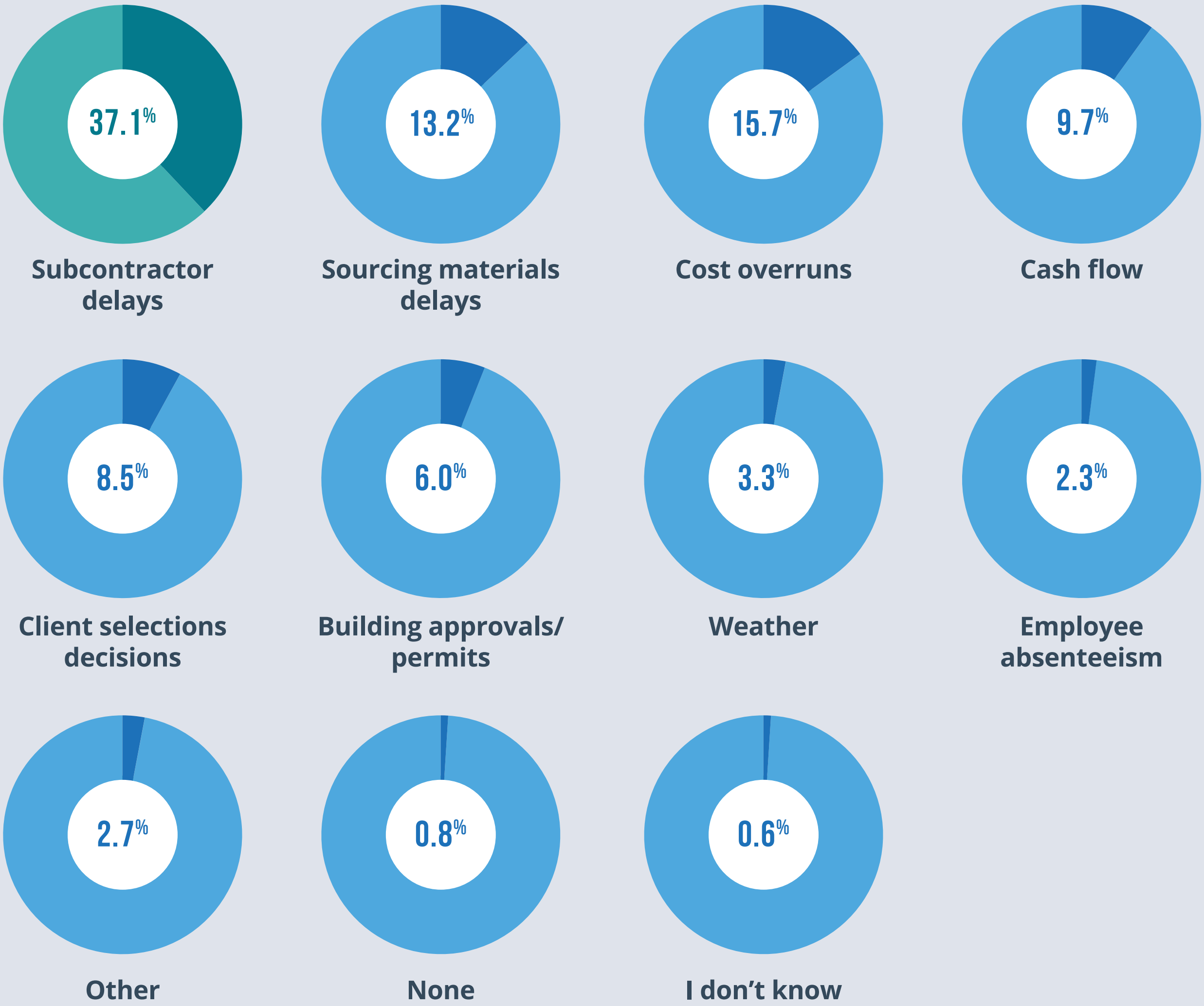
Do you know your fixed expenses per job per day?



Do the majority of your projects meet the budget?



What is your biggest challenge in terms of running projects?



ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Subcontractor delays	38.7%	38.7%	29.4%	30.6%
Sourcing materials delays	18.7%	5.7%	14.7%	16.1%
Cost overruns	13.3%	15.5%	14.7%	25.8%
Cash flow	7.1%	13.4%	2.9%	11.3%
Client selections decisions	10.2%	7.2%	20.6%	0.0%
Building approvals/permits	5.8%	6.2%	8.8%	4.8%
Weather	0.9%	6.7%	0.0%	3.2%
Employee absenteeism	2.2%	1.0%	5.9%	4.8%
Other	1.3%	4.6%	2.9%	1.6%
None	0.9%	1.0%	0.0%	0.0%
I don’t know	0.9%	0.0%	0.0%	1.6%

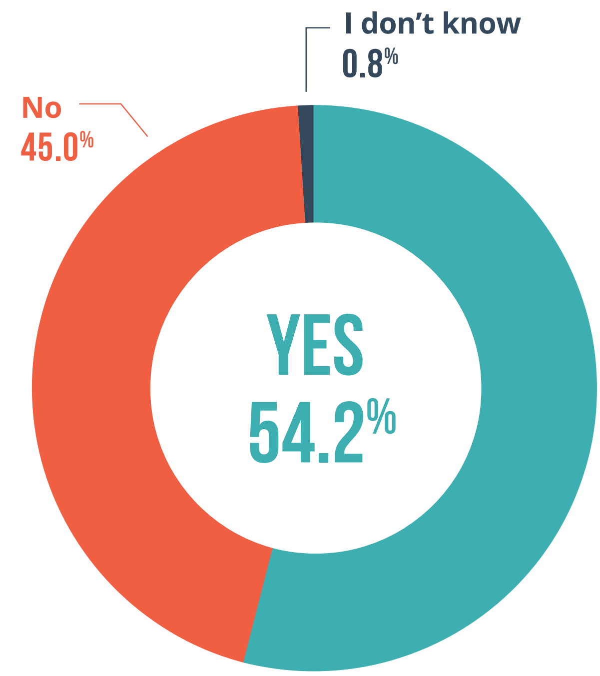
Do you include rise and fall clauses or cost escalation (CE) clauses in your building contracts either as standard or as special conditions?

YES
52.6%

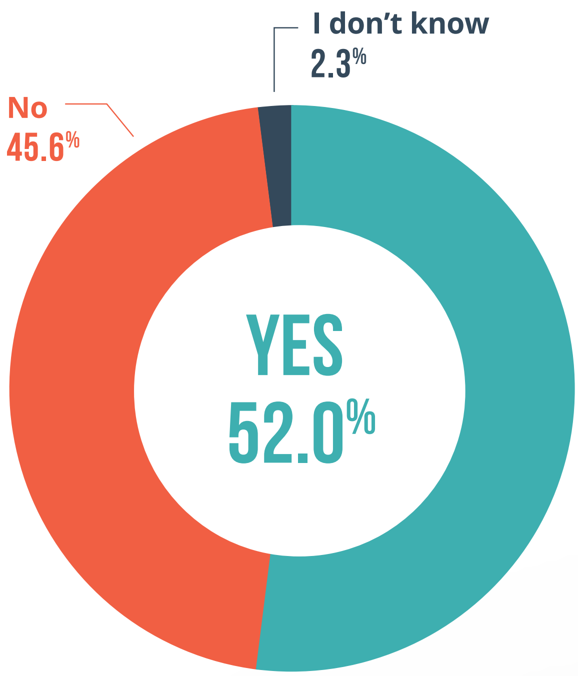
NO
43.9%

I don't know
3.5%

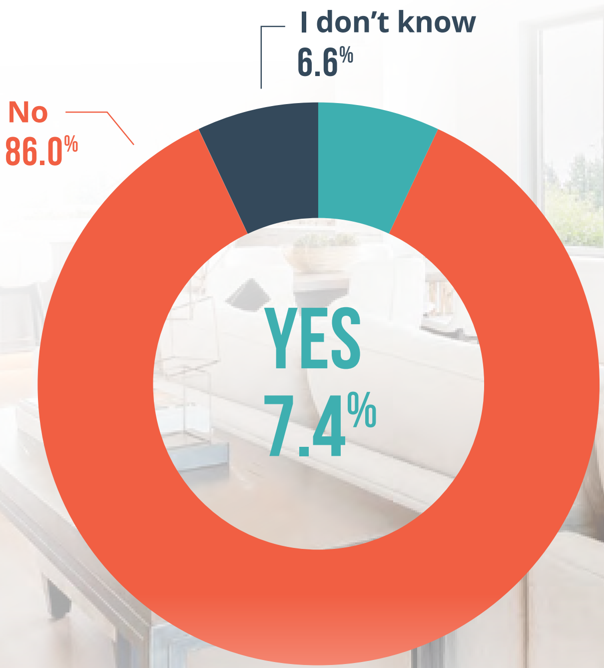
Do you have a documented completed home handover/ final walkthrough process?



Do you perform post project completion audits?



Do you ask your clients for a Net Promoter Score (NPS)?



TECHNOLOGY

In terms of software, Buildertrend strengthened its position as the number one solution for project management, enjoying gains across all countries. However, whilst 30.5% of all respondents now use the platform, **Buildxact** continues to be the top choice for builders in Australia and **Builda Price** is now the number one choice in New Zealand after taking market share from CoConstruct.

The use of spreadsheets for this important and complex task continued to drop in 2022 with just 16.9% of respondents using them compared to 21.6% in 2021.

It wasn't that long ago builders only had one viable option for using software, and that was MS Project.

However, these days builders have a mountain of different options to choose from according to their budget and requirements, and as a result, 74.1% of building companies have implemented dedicated project management software into their businesses which is up from 64.8% in 2021. Without question, this is a major factor that enabled more builders to deliver more projects on time in 2022.

During 2022, 91.3% of builders handled their estimates in-house, however in terms of outsourcing it was New Zealand's builders that led the way with 22.6% of builders trusting a third party with this time consuming task.

A baffling trend emerged in terms of the number of builders now using spreadsheets to compile their estimates which actually rose from 31.1% in 2021 to 36.4% in 2022. Considering it has been well documented that 88% of spreadsheets contain errors[3], it's surprising that more builders have turned to spreadsheets as a solution. The exception to this trend was in Canada where only 24.2% of builders now use spreadsheets for their estimating compared to 52% in 2021.

When it came to takeoffs, the story was similar to estimating with 85.2% of building companies performing the work in-house with 29% of builders in New Zealand bucking the trend by preferring to outsource the task.

Interestingly approximately half (50.6%) of all building companies even use software to complete this task creating a big opportunity for builders to gain efficiencies while simultaneously presenting an opportunity for software providers to improve sales.

Buildxact was the most popular choice among builders for both categories, in particular, builders in Australia where 37% of respondents use the platform for estimating and 38.6% use it for takeoffs.

Builda Price enjoyed similar success in New Zealand with 33.3% of builders using the software for their estimating.

There were some extreme variations across building companies in different countries when it came to managing health and safety (H&S) in the workplace which revealed a stark difference between builders in Australasia and builders in North America.

3 Olshan, J, 2022. *88% of spreadsheets have errors.* [online] MarketWatch. Available at: https://www.marketwatch.com/story/88-of-spreadsheets-have-errors-2013-04-17.

New Zealand's builders led the way with 60.5% of them utilizing dedicated software to manage this complex task, followed by 37.5% of builders in Australia. Incredibly, only 6.7% of builders in Canada and just 4.7% of builders in the United States are using dedicated software to deal with all the paperwork.

The amount of builders using a paper system to comply with their legal obligations was 28%, with the data highlighting similar results across all countries. This means that a staggering 67.5% of builders in the United States and 50% of builders in Canada do not have an established system in place to manage H&S, exposing themselves to prosecution, fines and even jail time if they fail to comply with H&S requirements.

One of the reasons why builders in North America are so far behind builders in Australasia in terms of managing their H&S obligations could be connected to the availability of easy-to-use software that can manage the tasks for them.

In terms of H&S software being used, there were no clear winners in either Canada or the United States. However, it was a very different story in New Zealand with 96.2% of builders using **HazardCo** and 56.1% of builders in Australia also using the same platform. No other workplace H&S solution came close to being used by so many builders.

Overall, 37.9% of builders invested more money into software in 2022 with 26% of respondents expecting to spend more again in 2023. Canadian builders are leading the way with 32.4% of respondents committed to improving their systems.

BUILDXACT

Maximizing profitability in construction: tips and strategies for managing costs and risks in 2023

By Julian Krishnan Nair, Senior Partner Manager at Buildxact

There are a range of factors, both within and outside your control that have the potential to significantly affect the profitability of new builds or remodeling/renovation projects and 2022 demonstrated just that. Whether it is inflationary pressure on material and labor pricing, or delays impacting supply chain or labor availability—which alone can cost you well over $1,000 a day—getting the profitability of your projects under better control must be a focus in 2023. It will not only ensure the livelihood of your business, but provide you with a clear pathway to growth and prosperity.

The 2022 SORCI data shows 45% of respondents were operating on between a 2.5% and 10% net margin. What's more, Buildxact estimates that only one in three construction projects come within 10% of the planned budget upon completion! Those uncontrollable external factors, or worse, making a mistake on your own estimating or project management pose a serious risk and can lead to you losing serious money.

Two critical tips to plan your projects better to maximize profitability are, to build out a detailed, accurate project estimate, and to take the time to collaborate with your supplier or dealer to get better control over your material cost inputs. Both are critical requirements, uniquely solved by using the leading construction software platform from Buildxact.

From job prospecting to takeoffs, estimates, quotes, project management, cost tracking and more, Buildxact provides a comprehensive platform designed to give home builders, trades, and suppliers control of their businesses to win more work profitably and get jobs done.

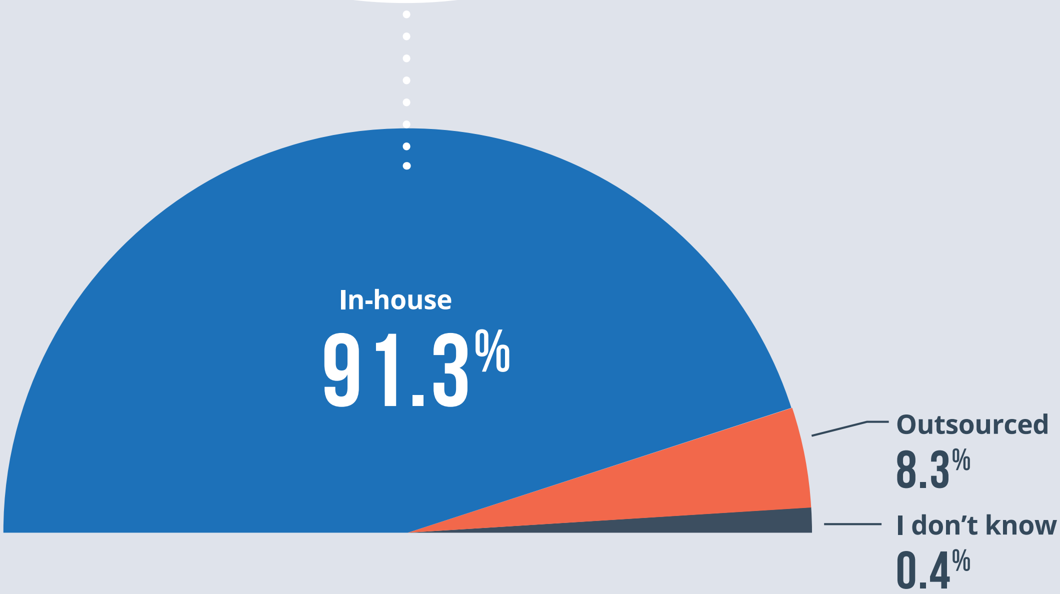
Learn more about **Buildxact**.

What project management software do you use?

ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Buildertrend	39.1%	23.2%	44.1%	14.5%
CoConstruct	16.4%	7.2%	14.7%	8.1%
Buildxact	0.9%	29.9%	8.8%	1.6%
Builda Price	0.0%	0.5%	0.0%	33.9%
MS Project	3.6%	2.1%	5.9%	1.6%
Other	8.0%	16.5%	14.7%	12.9%
Spreadsheets (eg Excel or Google Sheets)	20.4%	14.4%	8.8%	16.1%
None	11.1%	5.7%	0.0%	11.3%
I don't know	0.4%	0.5%	2.9%	0.0%

Who does your estimations?



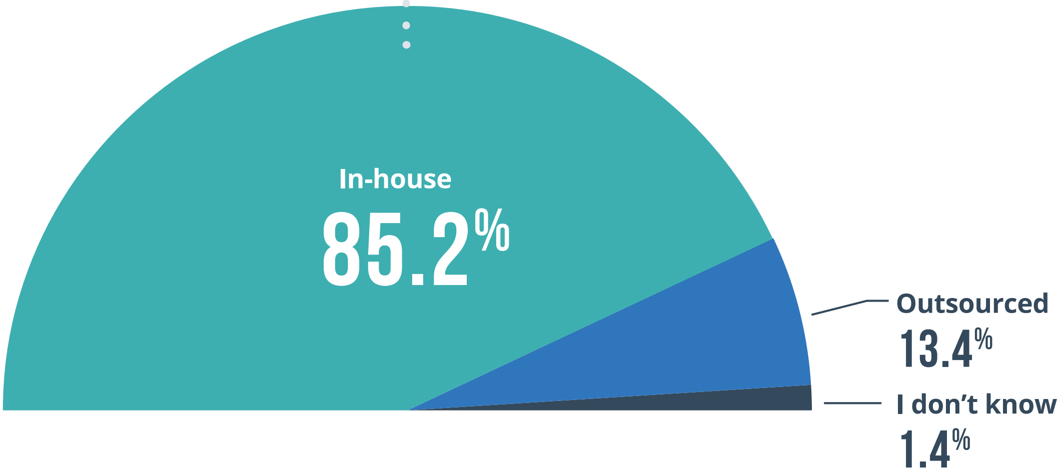
What estimating software do you use?

ANSWERS BY LOCATION:

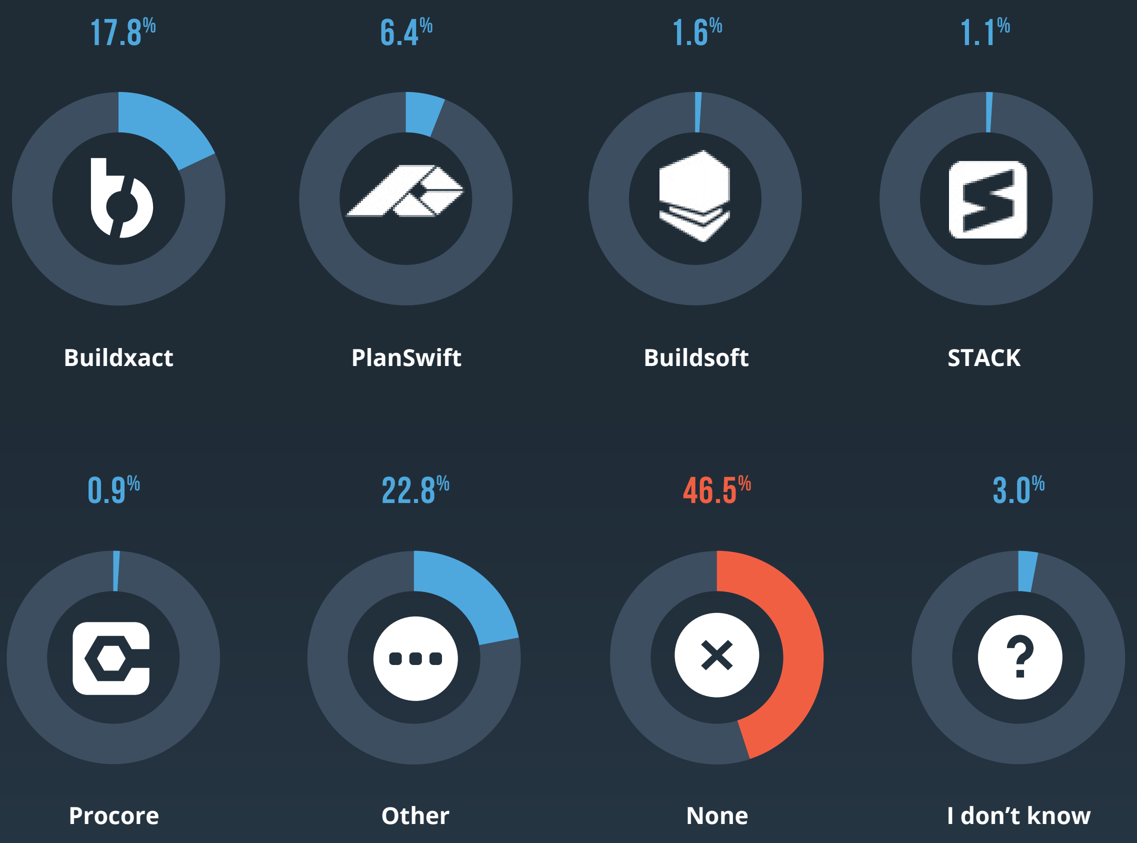
CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Buildxact	0.5%	37.0%	15.2%	0.0%
CoConstruct	9.3%	3.5%	12.1%	4.2%
Buildertrend	16.2%	4.6%	27.3%	2.1%
Builda Price	0.5%	0.0%	0.0%	33.3%
Cordell	0.0%	1.2%	0.0%	0.0%
Other	7.9%	26.0%	15.2%	22.9%
Spreadsheets (eg Excel or Google Sheets)	50.9%	22.0%	24.2%	31.3%
None	13.9%	5.8%	6.1%	6.3%
I don't know	0.9%	0.0%	0.0%	0.0%

**This data excludes respondents who did not select 'In-house' in the question, "Who does your estimations?".*

Who does your takeoffs?



What takeoff software do you use?

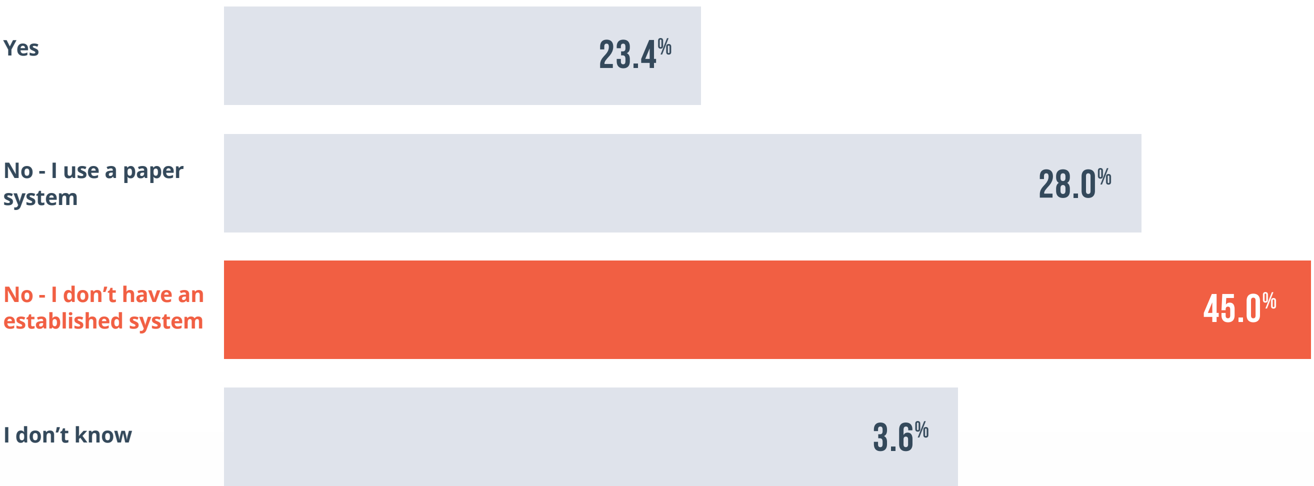


ANSWERS BY LOCATION:

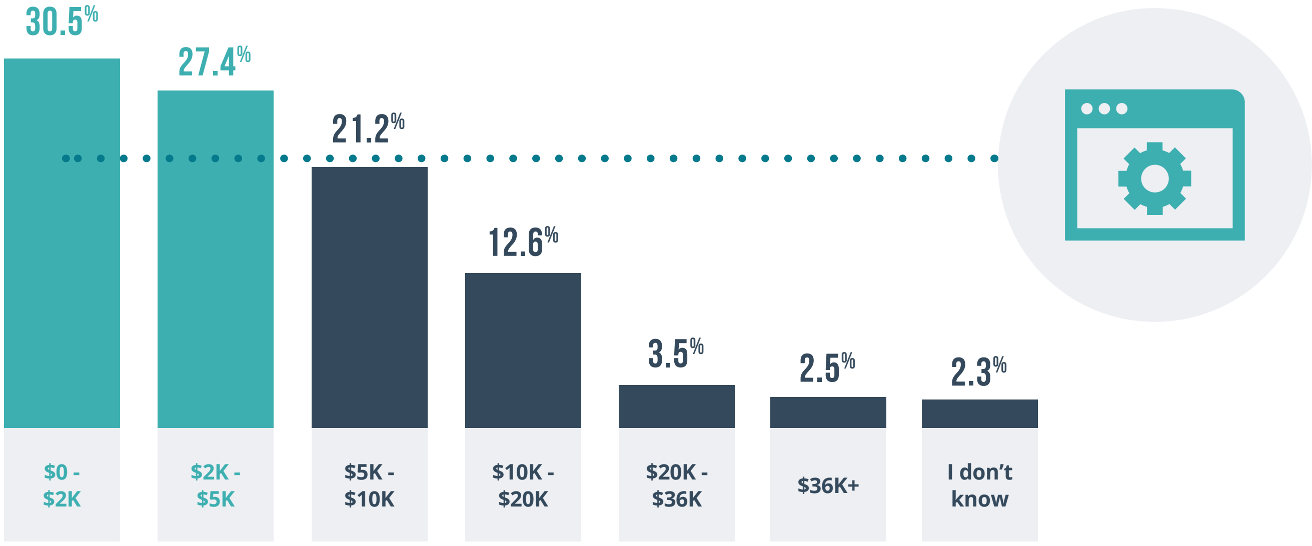
CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Buildxact	1.1%	38.6%	16.7%	7.0%
PlanSwift	6.8%	8.0%	3.3%	0.0%
Buildsoft	0.0%	3.4%	0.0%	2.3%
STACK	1.6%	0.0%	6.7%	0.0%
Procore	1.6%	0.6%	0.0%	0.0%
Other	20.5%	23.3%	20.0%	32.6%
None	65.8%	23.3%	50.0%	53.5%
I don't know	2.6%	2.8%	3.3%	4.7%

**This data excludes respondents who did not select 'In-house' in the question, "Who does your takeoffs?".*

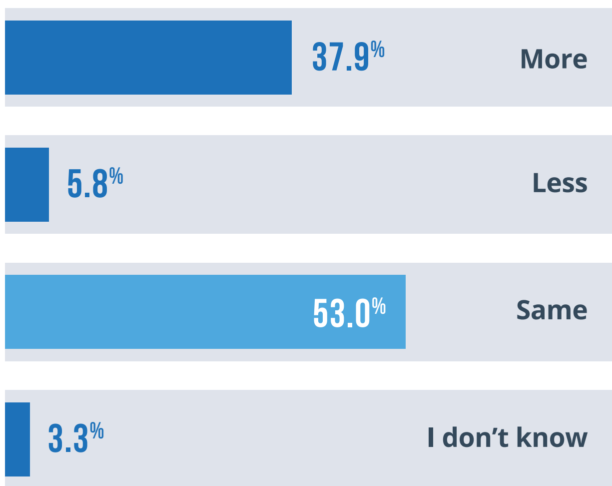
Do you use software to manage health and safety in the workplace?

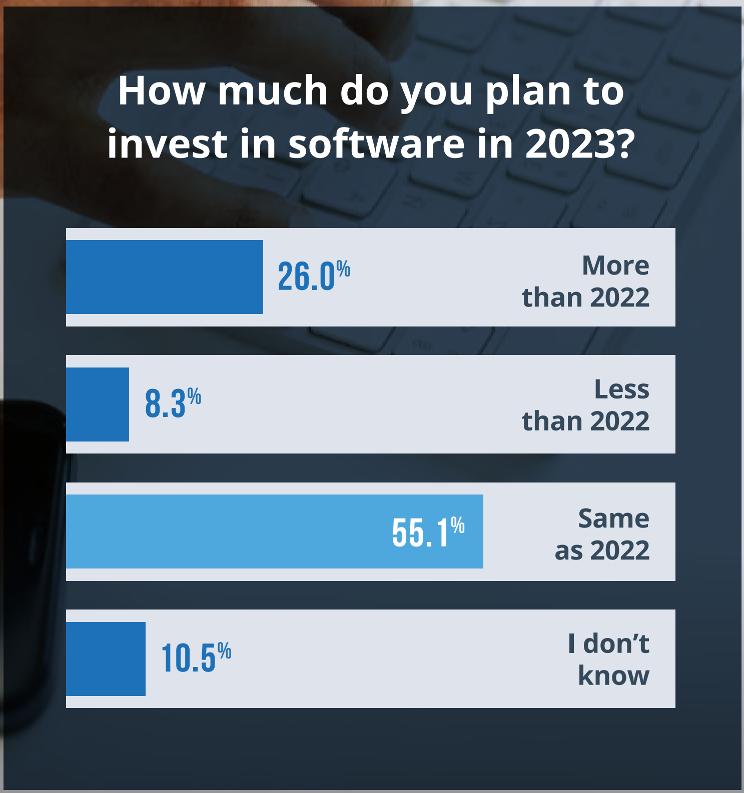


How much did you invest in software in 2022?



How did your software spend in 2022 compare with your software spend in 2021?




How much do you plan to invest in software in 2023?
26.0%
More than 2022
8.3%
Less than 2022
55.1%
Same as 2022
10.5%
I don't know

FINANCIALS

Builders around the world had a similar experience in terms of the salaries they drew from their businesses with 36.1% earning more in 2022 than they did in 2021. More than half (53.6%) of the builders that participated in the survey expect to pay themselves more again in 2023 which is promising because the 36.9% that expect to pay themselves the same amount are going to struggle to maintain the same level of earnings due to the effect of inflation on their incomes.

The 2022 survey also asked builders whether they were recording their salaries in their fixed expenses reports as opposed to taking it as a loan or a dividend. It was encouraging to see that 73.2% are now doing this which means they are producing an accurate total for their fixed expenses while the remaining 26.8% are most likely underpricing their jobs.

The increases in builders' salaries appear to be more than justified given that 58.1% of builders experienced an increase in sales revenue in 2022 and 72% are expecting revenue to increase in 2023.

A common misunderstanding when it comes to construction financials is the difference between markup and margin. The percentage of builders that truly understand the difference between markup and margin stood at 70.5% in 2022 which, while far from being ideal, was an improvement on the 2021 data when only 69.8% of builders knew the difference.

Although the level of financial understanding in our industry is on the increase, the fact that almost one-third (29.5%) of builders still don't understand the difference between these two numbers remains a very big concern.

A better understanding of construction finances leads to improved margins and that is certainly what the data for 2022 revealed with 30.1% of builders marking up their projects by 25% or more during the year. More than half (50.1%) are planning to achieve those margins in 2023.

Another promising statistic was that only 6.8% of builders did not know their gross markup in 2022, which is an improvement on 2021 when 9.2% of respondents admitted to not knowing that figure.

When it comes to monitoring the gross margin for projects on a monthly basis, a very impressive 60% of builders revealed they are doing exactly that which is especially important in these challenging times.

The key metric for every business is net profit and understandably this figure was hit hard in 2022 as price rises and delays eroded profits, resulting in just 22% achieving the industry benchmark of double-digit net margins, compared to a year ago when the figure was 25.4%.

As the supply chain normalizes in 2023 we expect to see a significant improvement in that percentage next year especially given the improved understanding of construction financials by more and more builders. As it stands, 43.3% of builders expect to achieve a 10% or more net profit benchmark in the year ahead.

Sadly 5.4% of building companies lost money during the year. The figure is potentially closer to 20% due to the fact 15% of respondents are unsure of their actual net position. History shows that these are the building companies most susceptible to going into liquidation within the next 12-18 months.

Fixed expenses is another KPI that needs to be monitored closely by builders. To be more precise, the fixed expense ratio—which is fixed expenses depicted as a percentage of revenue. The sweet spot for a residential building company's fixed expenses is approximately 15% of its revenue and should include salaries for the owners, plus a healthy investment in marketing and sales.

While only 13% of respondents were found to be at that level, it was encouraging to see that the number of builders that did not know this number was down from 29.6% in 2021 to 25.2% in 2022.

However, after all the good news that was unveiled from the 2022 data, a sobering revelation was uncovering the number of builders who still do not understand what work in progress is.

Almost half (49.2%) of all builders believe it relates to either the amount of work in the pipeline, or the uninvoiced amount remaining on their contracts, while 27.9% believe it relates to the value of work completed. When the builders who admitted to not knowing what work in progress is are factored in, the findings uncovered that 80.8% of builders are calculating this number incorrectly which means their financial reports would be incorrect.

Despite the number of builders now producing monthly financial reports increasing from 49.4% in 2021 to 57.3% in 2022, that figure is of little consolation when the information that drives decisions is inaccurate.

cbusa

Preparing for an economic downturn: Why processes and relationships are the answer

By Brian Pavlick, Chief Operations Officer of CBUSA

Companies, large and small, have faced many challenges over the last two years. Fortunately for the construction industry, business has continued to boom. So much so that 61.4% of builders surveyed by APB allocate less than 25% of their time to work on their business rather than in it.

Now more than ever, it's more important for builders to work on their businesses. Systems, processes and setting themselves up for success should be top of mind. Heading into an uneasy economy, taking advantage of opportunities, buying right and being competitive is critical.

Data from APB found that 72% of home builders have an even higher revenue target for 2023, which is a great sign. In the new year, builders should be disciplined. They should focus on structure and invest in processes that increase efficiencies for their businesses. Although it's great to see optimism amidst the unknowns, there are two challenges that will continue to cause problems—cost overruns and sourcing materials. Two factors that are essential for project planning and increasing productivity.

Builders should take advantage of this slowdown to build a structure that will give them freedom. Business owners say, "I don't have time," to adopt a platform, reevaluate vendor relationships or look for cost-savings. Well, I'm saying, "Now's the time."

Builders can scale. With the right tools. Builders can grow. With the right processes in place. Increasing purchasing power, simplifying processes and being able to compete should be the focus this year. So, where's the best place to start?

To compete in today's industry, builders should first have a software solution—without it, running a construction business is nearly impossible. And second, they should be a member of some kind of purchasing group.

APB's survey found that 84.5% of builders aren't members of a buying group. Which means there are hundreds of builders who aren't taking advantage of the opportunities available to them.

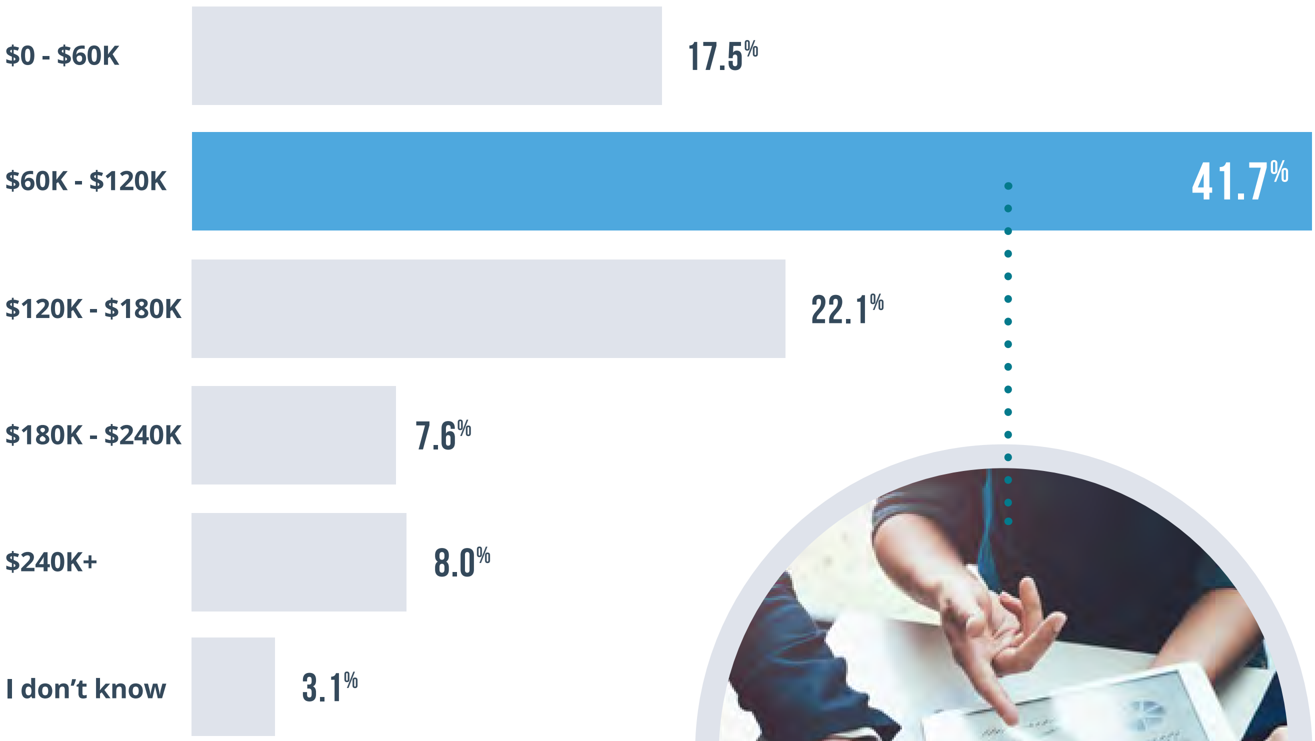
A group purchasing organization (GPO) gives builders power to negotiate better pricing, service levels and account representation from material vendors and manufacturers. They simplify buying processes for their members and allow them to compete with large national companies.

GPOs also make it possible for builders to form relationships and network with industry professionals they wouldn't have been able to otherwise.

"It's because I'm a part of this group that I have the opportunity to sit down with people like David Kohler, head of Kohler, and have a discussion," said Jon Showalter, Chief Operating Officer at Homes by Dickerson. "The doors are open to so much more networking than any one business."

Builders benefit from discussing challenges with their peers and having that trusted network is becoming an irreplaceable business advantage—especially now. If builders can come out of this environment having built those relationships, having defined processes and price points, they should see the next 12 months as an opportunity.

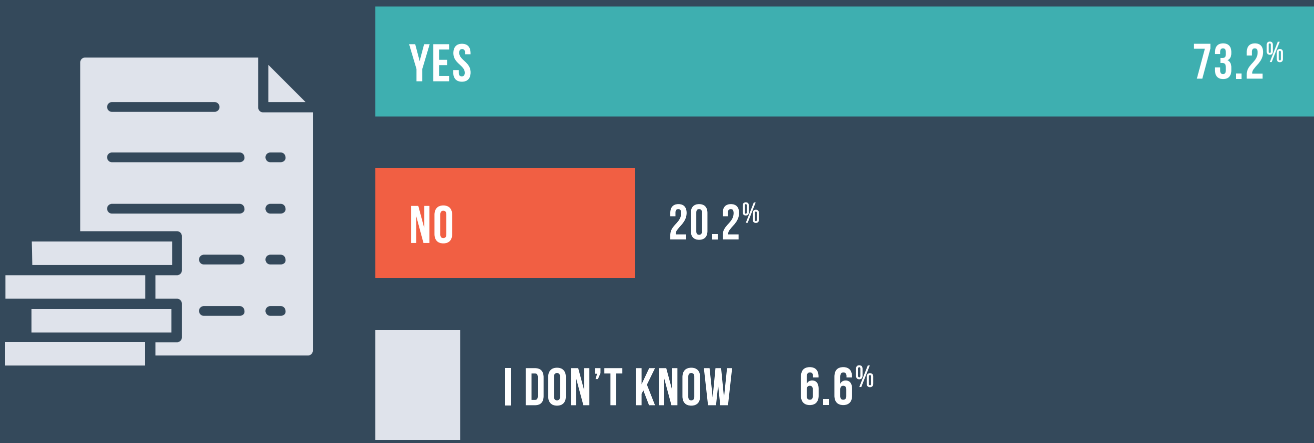
How much did you pay yourself in 2022 (ie your total drawings)?



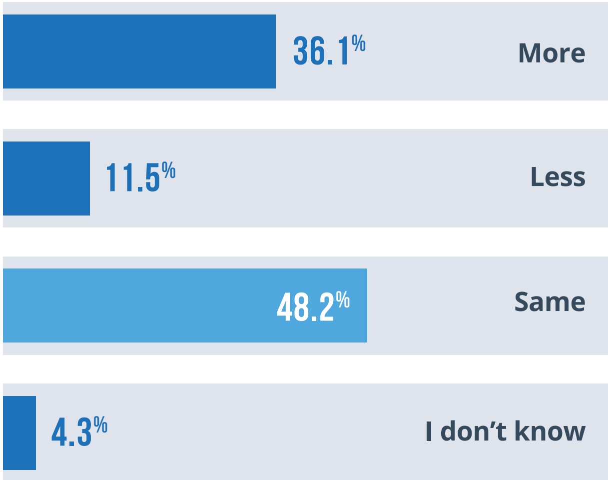
ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
$0 - $60K	19.6%	17.0%	17.6%	11.3%
$60K - $120K	32.0%	47.4%	58.8%	50.0%
$120K - $180K	20.4%	24.2%	14.7%	25.8%
$180K - $240K	10.7%	4.6%	2.9%	8.1%
$240K+	13.8%	3.6%	2.9%	3.2%
I don't know	3.6%	3.1%	2.9%	1.6%

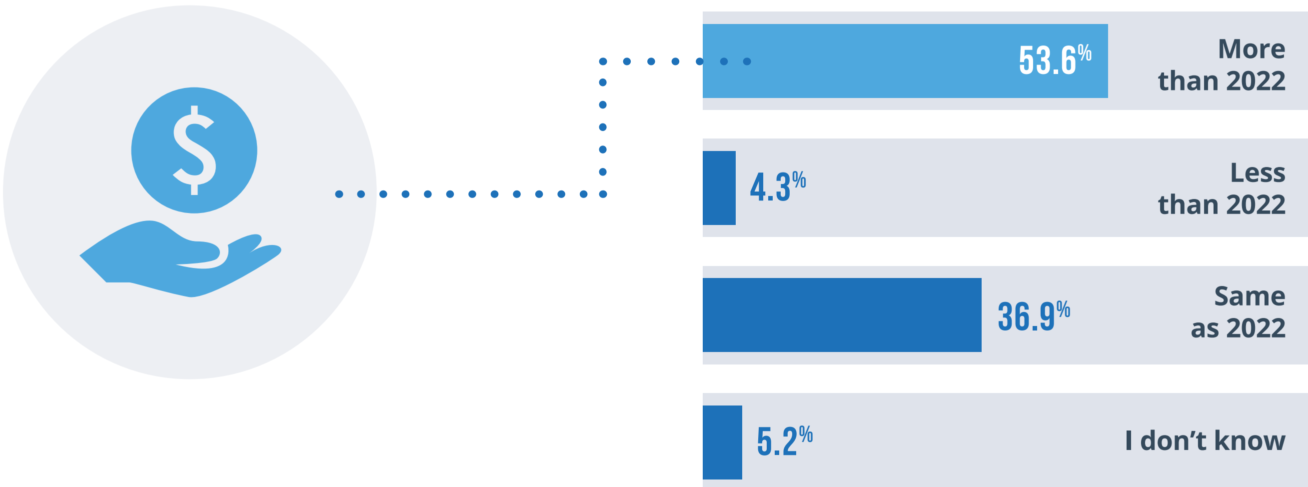
Were your drawings included as a salary in your fixed expenses?



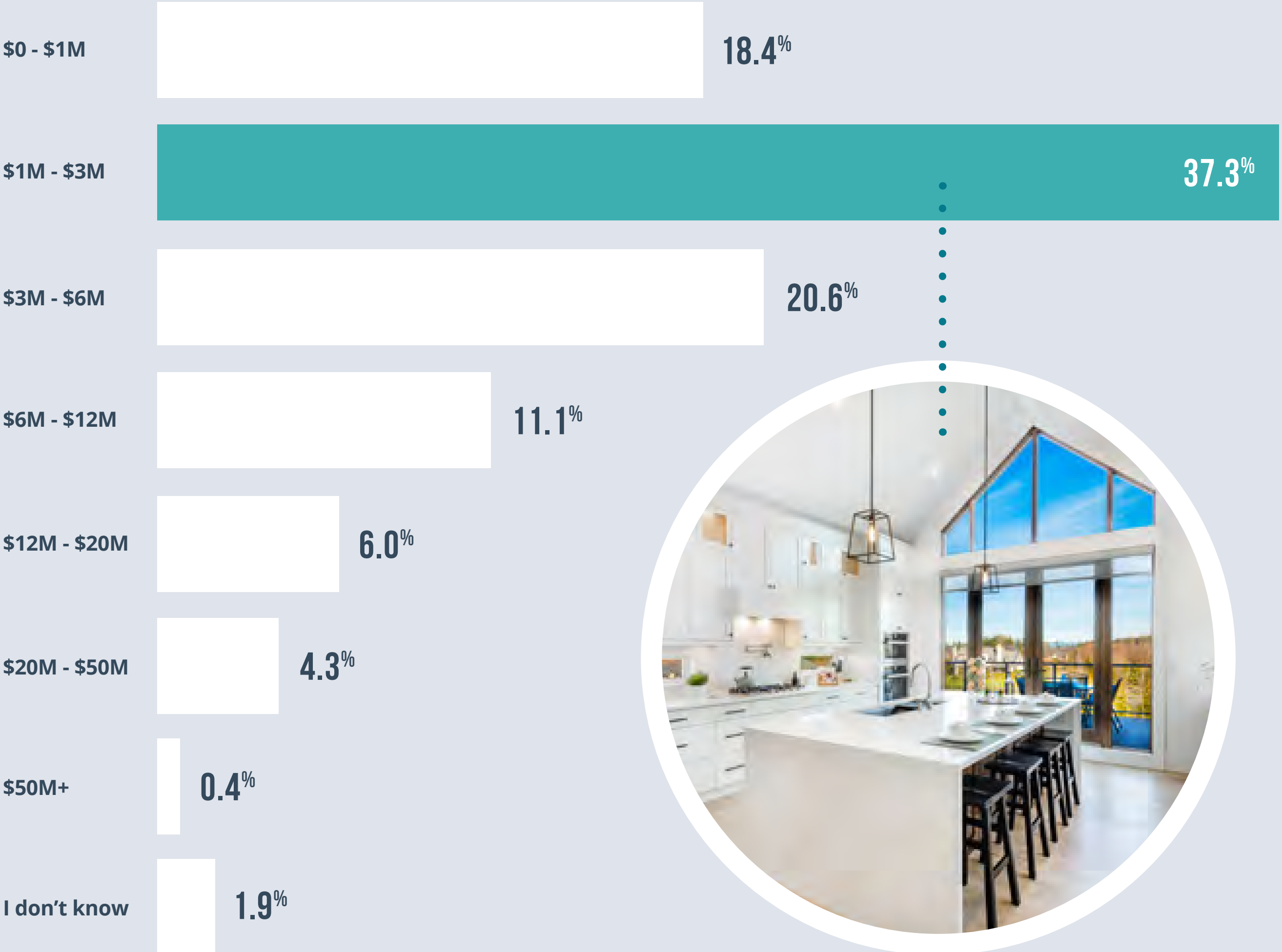
How did your total drawings in 2022 compare with 2021?



How much do you plan to pay yourself in 2023 (ie your total drawings)?



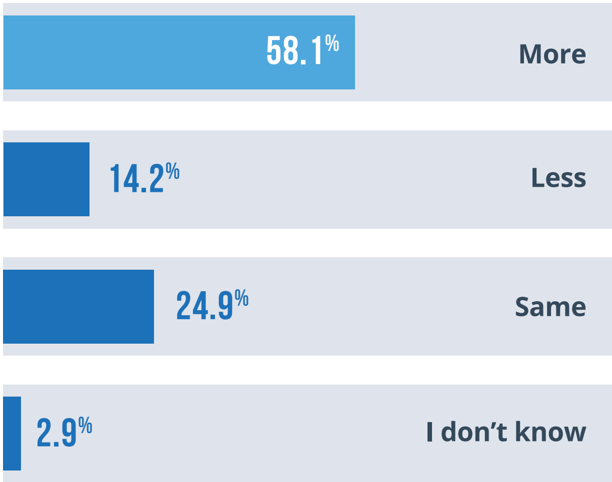
What was your sales revenue for 2022?



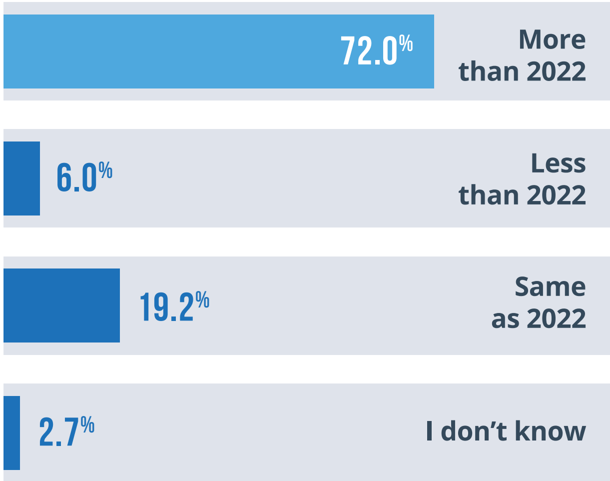
ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
$0 - $1M	15.6%	19.6%	8.8%	30.6%
$1M - $3M	28.4%	44.3%	47.1%	41.9%
$3M - $6M	21.3%	19.6%	29.4%	16.1%
$6M - $12M	16.4%	7.2%	5.9%	6.5%
$12M - $20M	8.4%	4.6%	2.9%	3.2%
$20M - $50M	7.1%	1.5%	5.9%	1.6%
$50M+	0.9%	0.0%	0.0%	0.0%
I don't know	1.8%	3.1%	0.0%	0.0%

Was your sales revenue more in 2022 than it was in 2021?

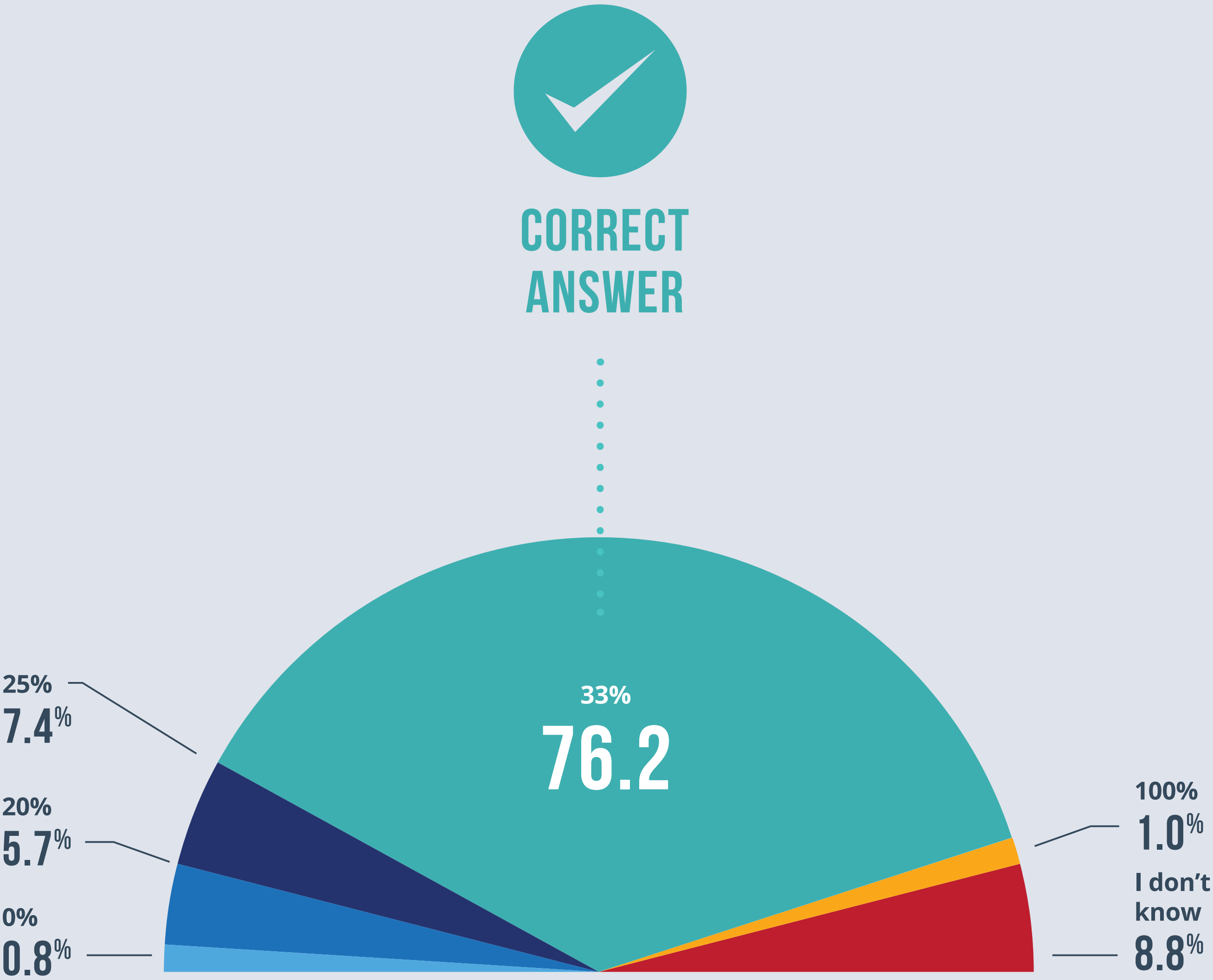


What is your revenue target for 2023?



Do you understand the difference between markup and margin?

To achieve a gross margin of 25%, how much will you mark up your project by?

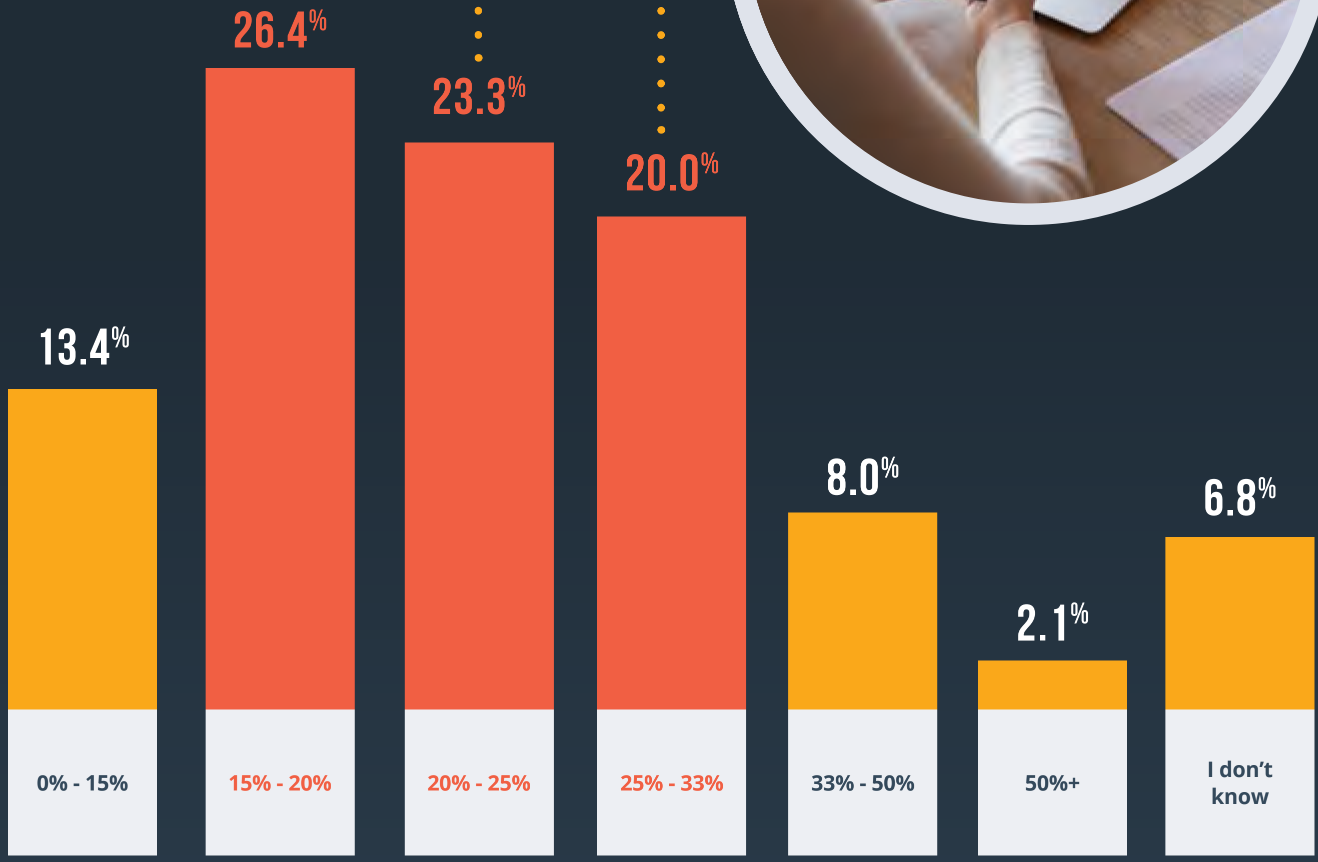


ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
0%	0.9%	0.6%	0.0%	1.7%
20%	6.0%	5.6%	6.3%	5.0%
25%	10.6%	3.9%	3.1%	8.3%
33%	71.3%	80.6%	87.5%	75.0%
100%	1.4%	1.1%	0.0%	0.0%
I don't know	9.7%	8.3%	3.1%	10.0%

**This data excludes respondents who selected 'No' in the question, "Do you understand the difference between markup and margin?"*

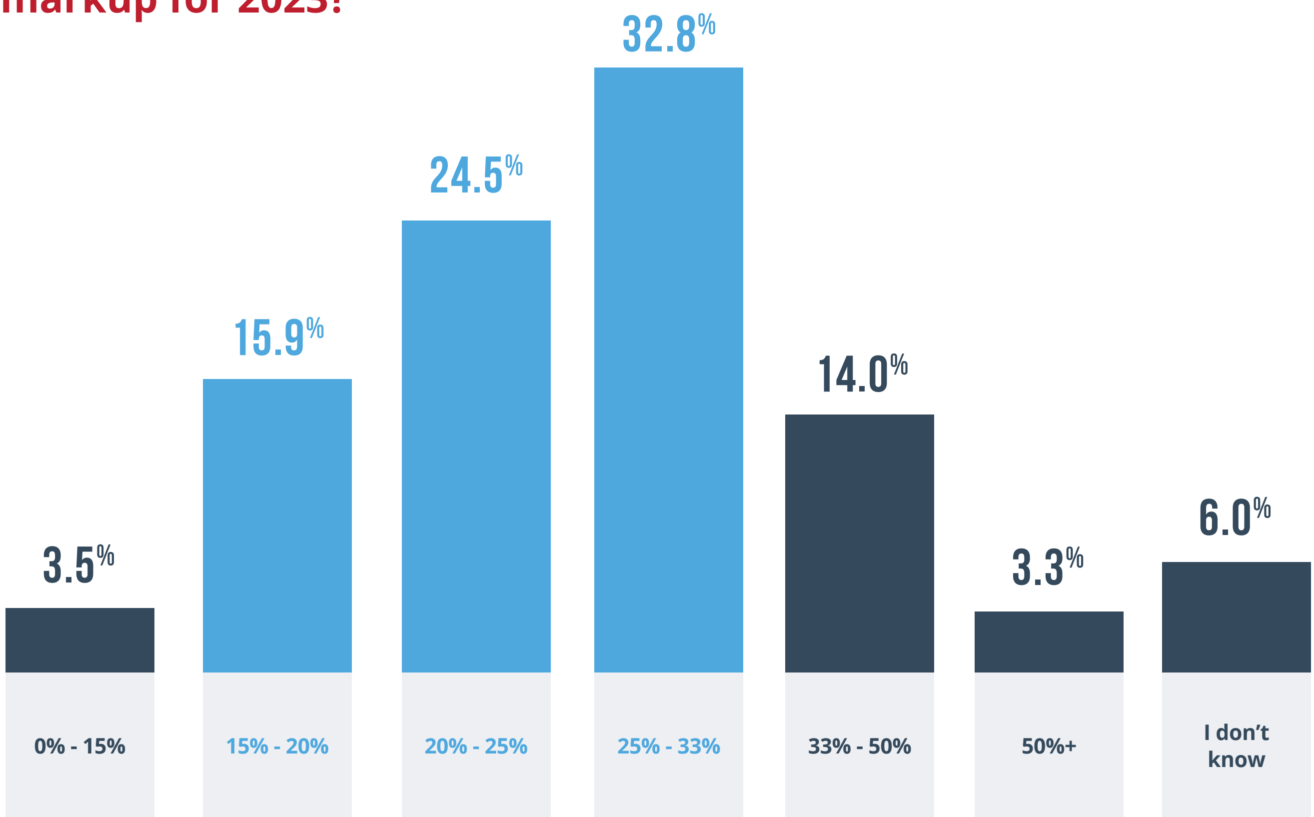
What was your gross markup for 2022?



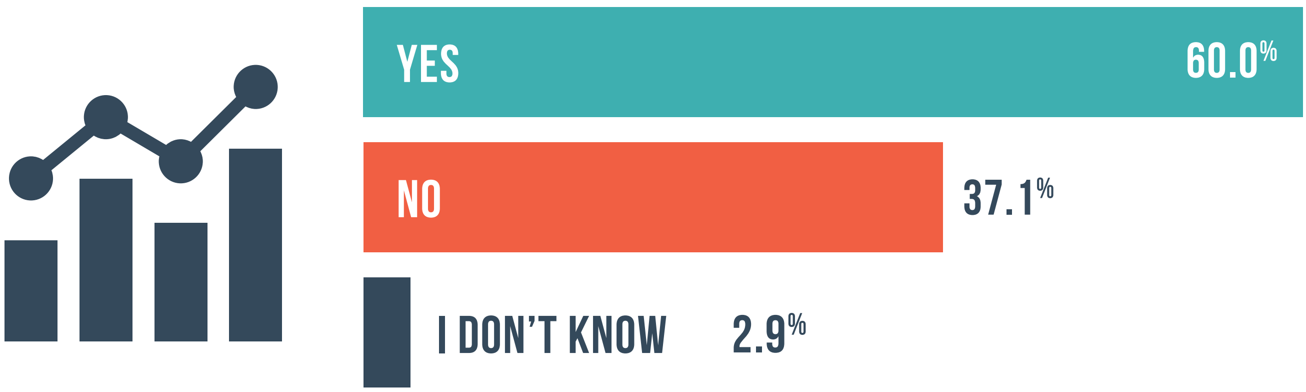
ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
0% - 15%	15.1%	7.2%	14.7%	25.8%
15% - 20%	24.0%	31.4%	11.8%	27.4%
20% - 25%	22.7%	26.3%	20.6%	17.7%
25% - 33%	20.0%	20.6%	23.5%	16.1%
33% - 50%	9.3%	6.7%	17.6%	1.6%
50%+	4.0%	0.0%	2.9%	1.6%
I don't know	4.9%	7.7%	8.8%	9.7%

What is your target gross markup for 2023?



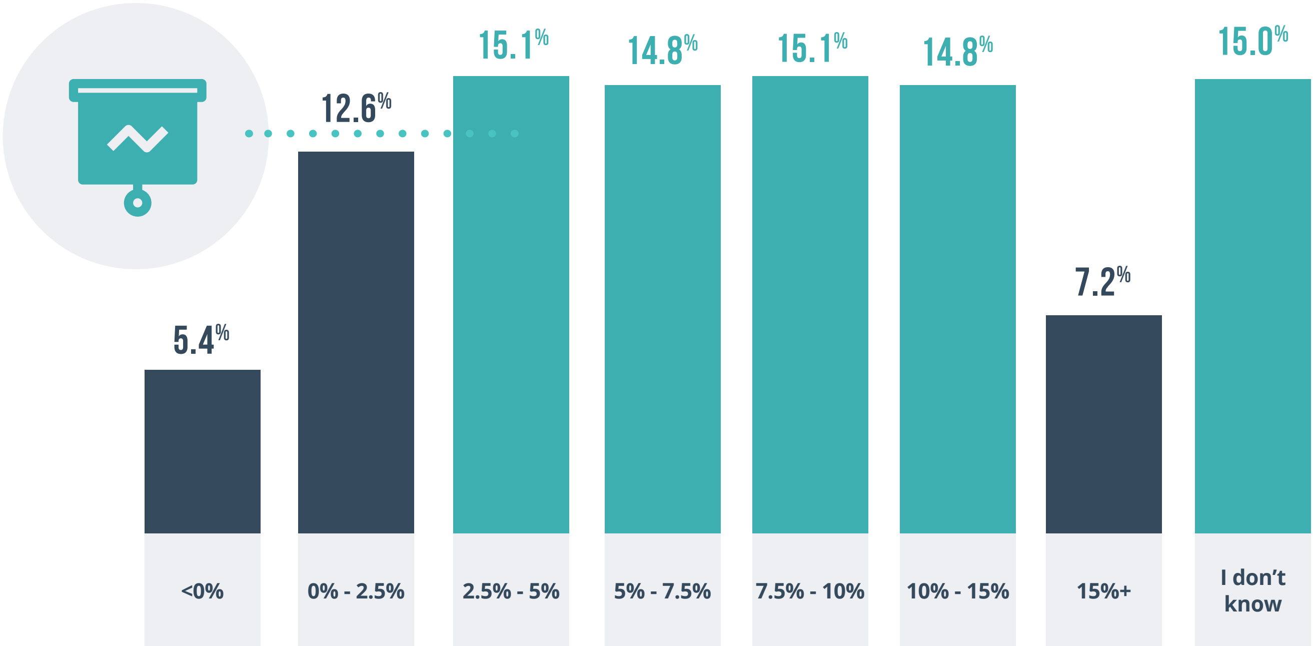
Do you monitor the gross margin on your jobs every month?



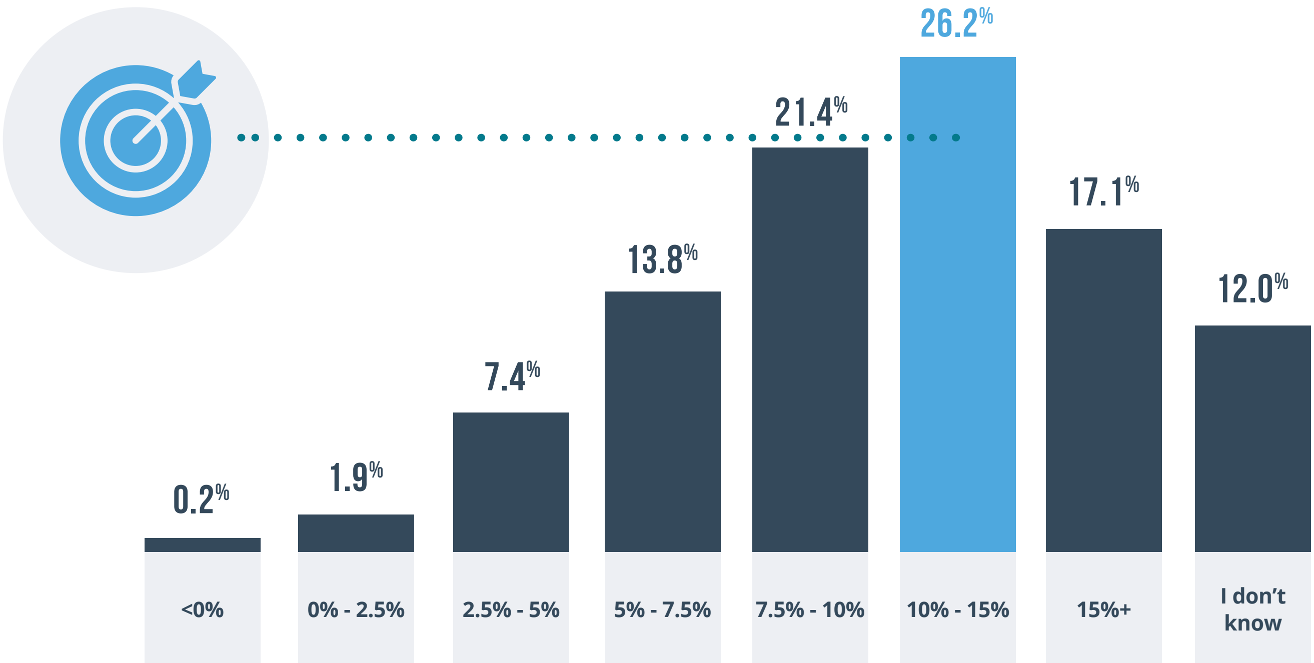
ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Yes	55.6%	66.5%	61.8%	54.8%
No	43.6%	29.4%	35.3%	38.7%
I don't know	0.9%	4.1%	2.9%	6.5%

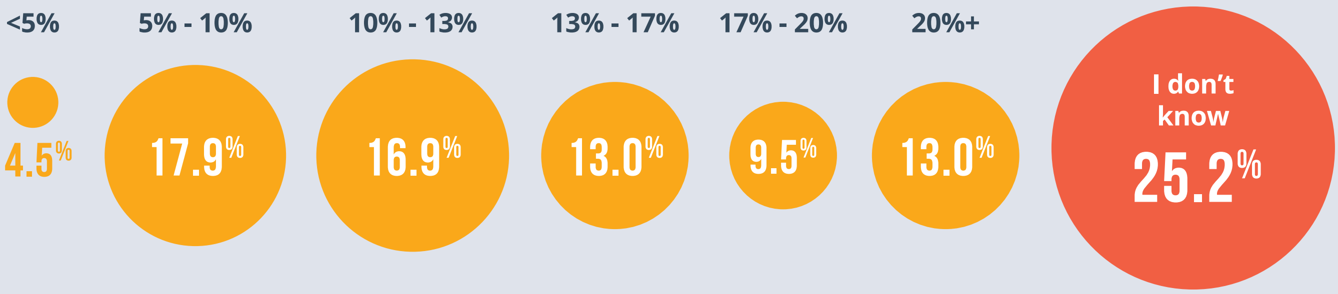
What was your NET profit margin during 2022 (after all expenses and your own drawings)?



What is your target NET profit margin in 2023 (after all expenses and your own drawings)?



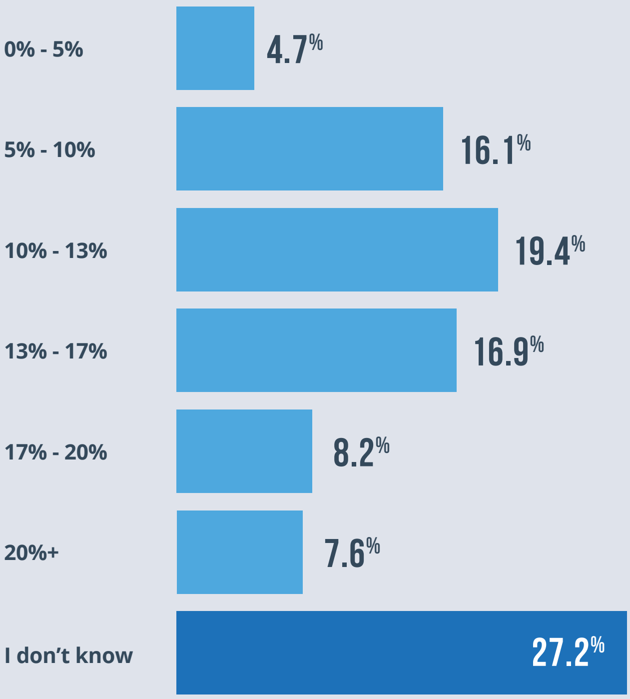
What percentage of your revenue did you spend on fixed expenses in 2022 (including your drawings)?



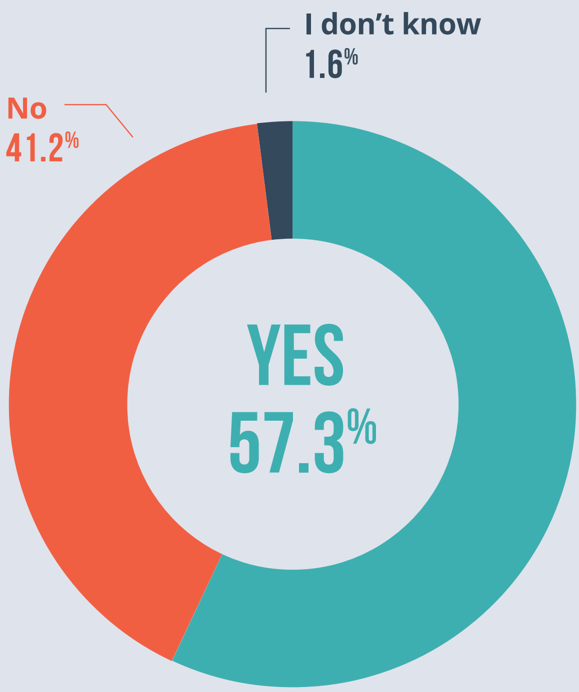
ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
<5%	6.7%	3.1%	5.9%	0.0%
5% - 10%	19.1%	14.9%	14.7%	24.2%
10% - 13%	19.6%	16.5%	2.9%	16.1%
13% - 17%	12.9%	13.4%	20.6%	8.1%
17% - 20%	7.6%	9.8%	17.6%	11.3%
20%+	12.0%	15.5%	17.6%	6.5%
I don't know	22.2%	26.8%	20.6%	33.9%

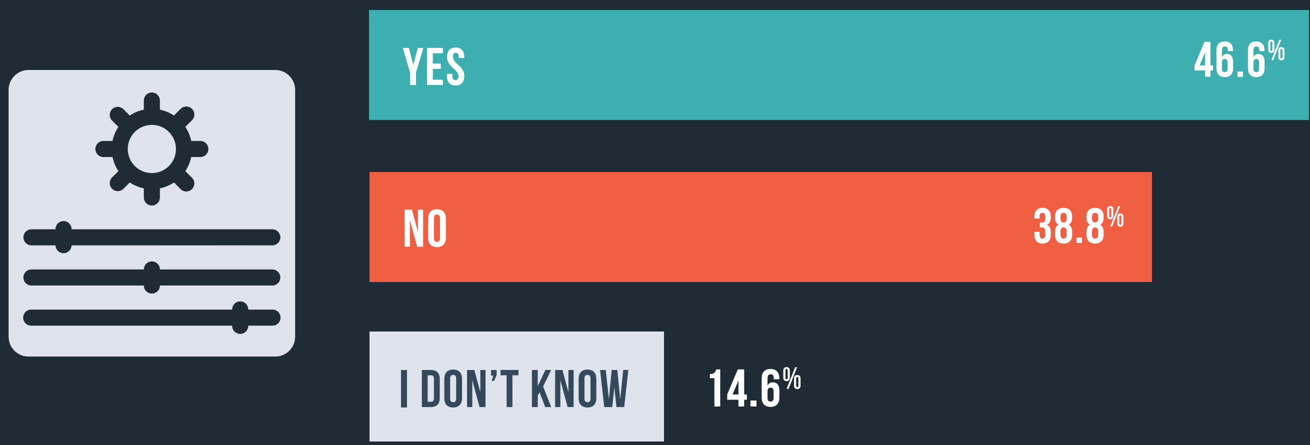
What is your budget for fixed expenses in 2023 (including your drawings)?



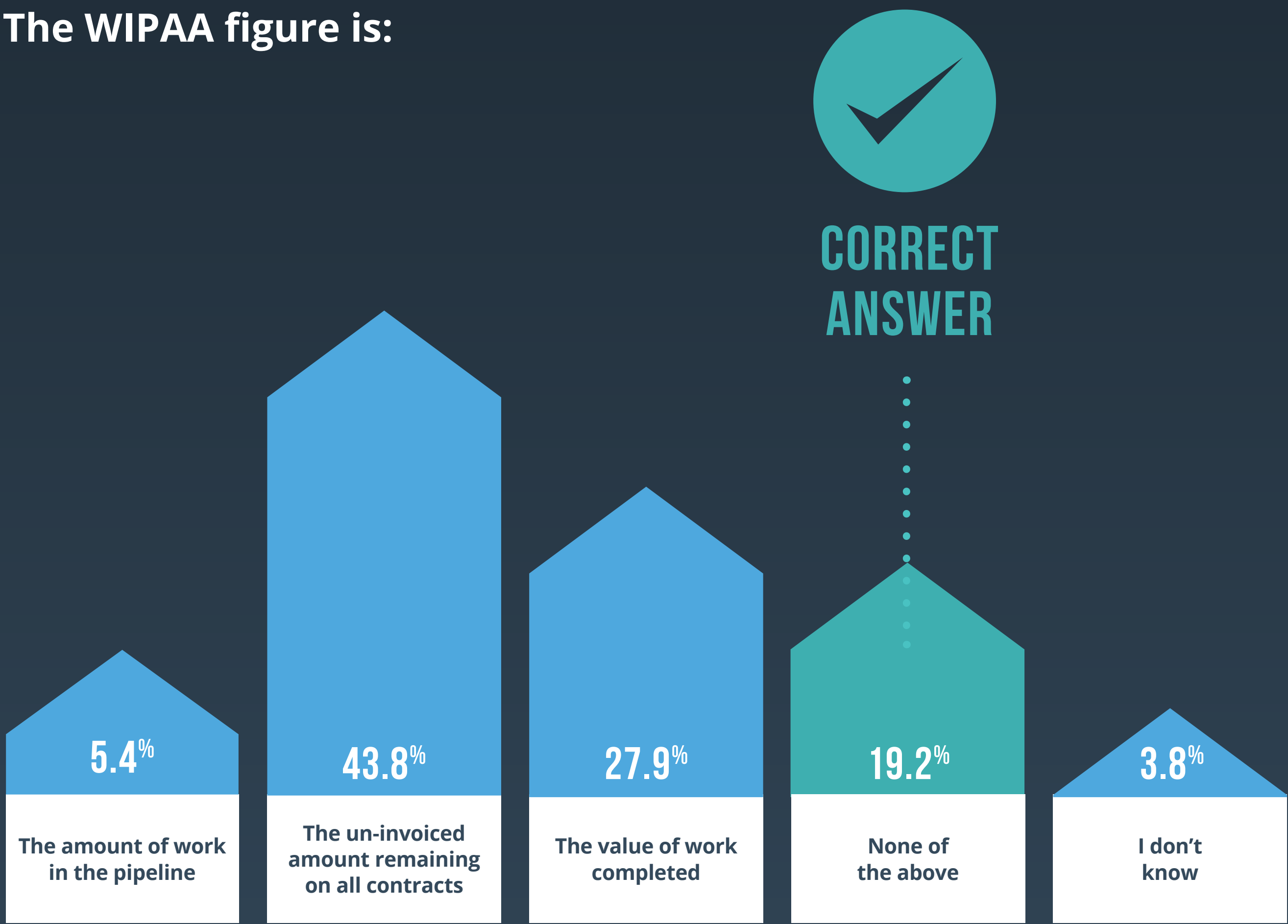
Do you produce monthly financial reports?



Do you know how to calculate your Work In Progress Accounting Adjustment (WIPAA) figure?

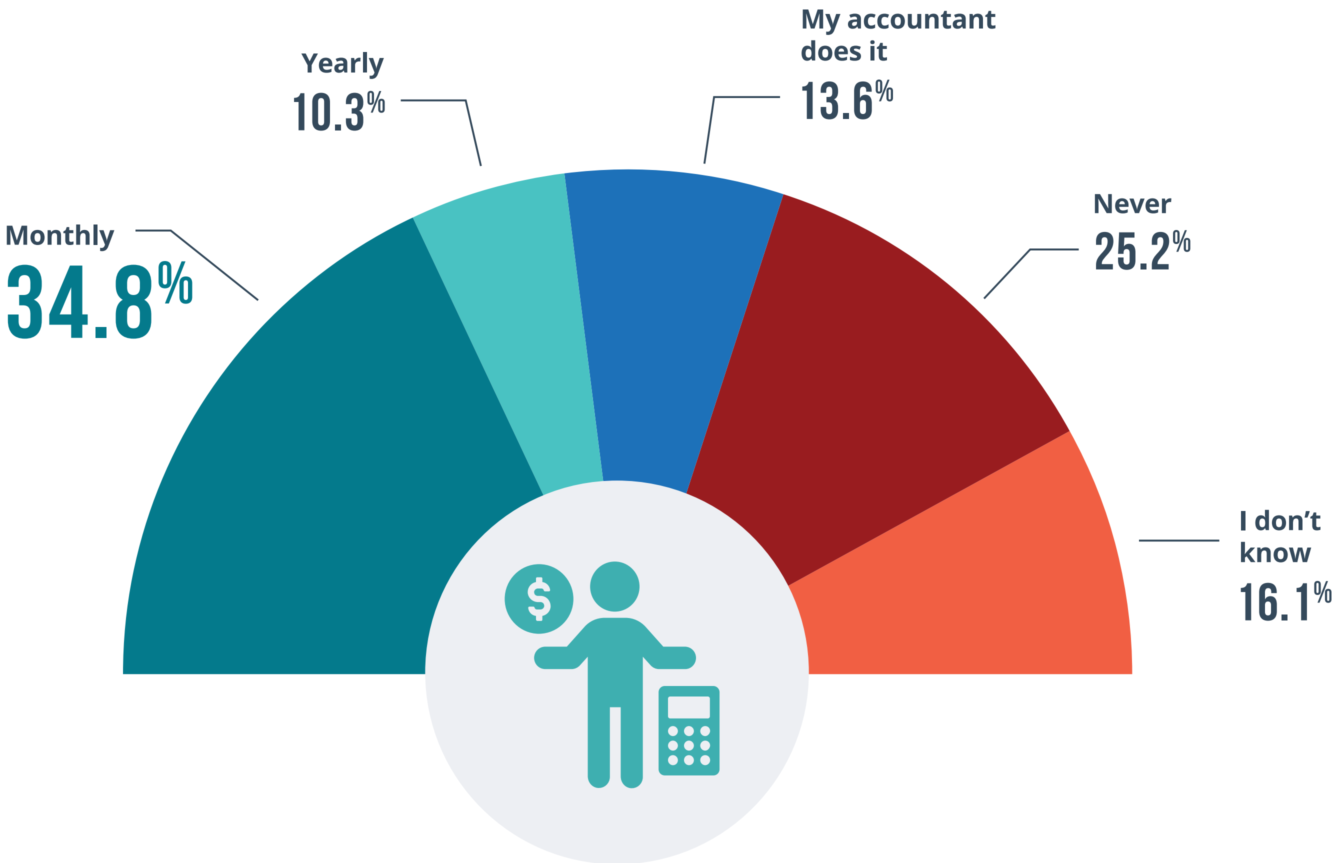


The WIPAA figure is:



**This data excludes respondents who did not select 'Yes' in the question, "Do you know how to calculate your Work In Progress Accounting Adjustment (WIPAA) figure?".*

How often do you calculate your WIPAA?



BREAKDOWN OF BUILDERS WHO DO NOT REGULARLY CALCULATE WIPAA:

NEW HOMES

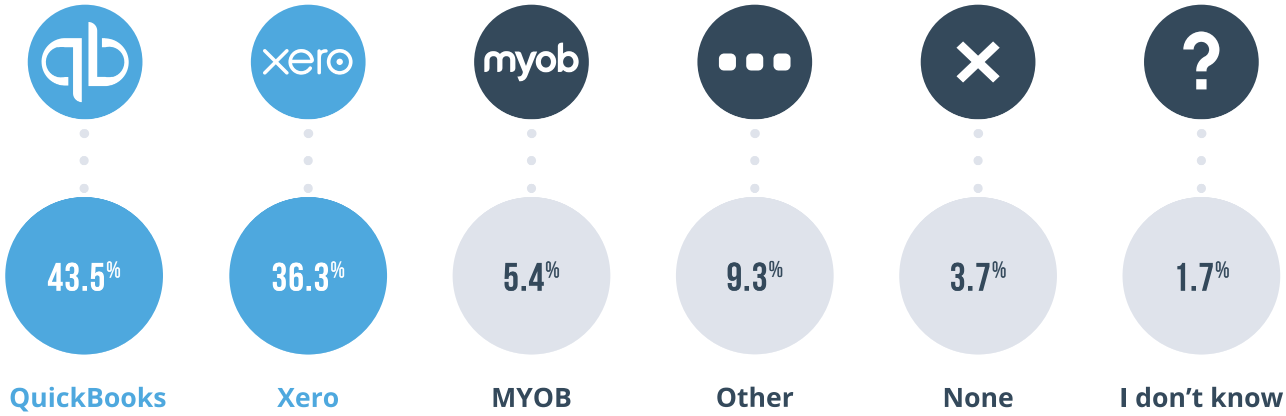
CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
My accountant does it	24.7%	17.4%	22.2%	45.5%
Never	45.4%	43.5%	77.8%	22.7%
I don't know	29.9%	39.1%	0.0%	31.8%

REMODELING / RENOVATIONS

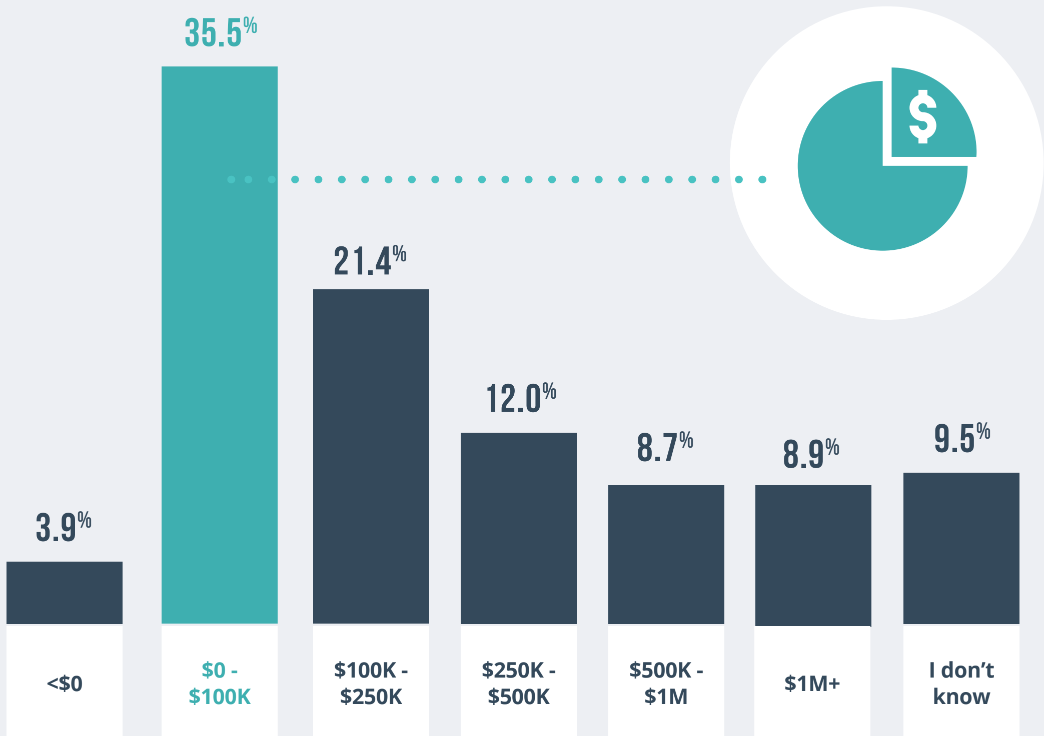
CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
My accountant does it	20.0%	24.5%	28.6%	33.3%
Never	47.5%	52.8%	42.9%	44.4%
I don't know	32.5%	22.6%	28.6%	22.2%

**Monthly or yearly WIPAA calculations are considered regular and therefore respondents who selected either monthly or yearly are not included in this table.*

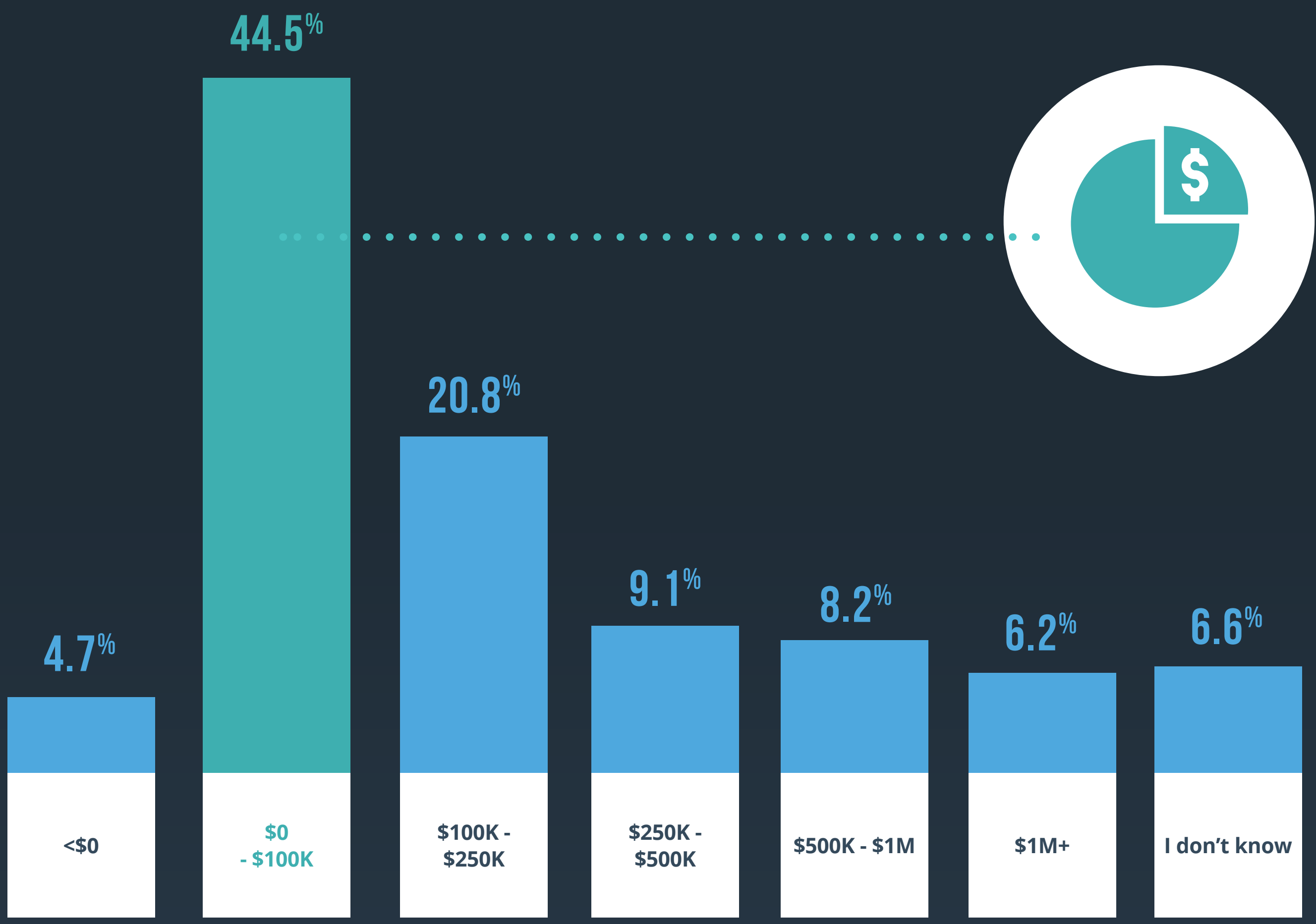
What accounting software do you use?



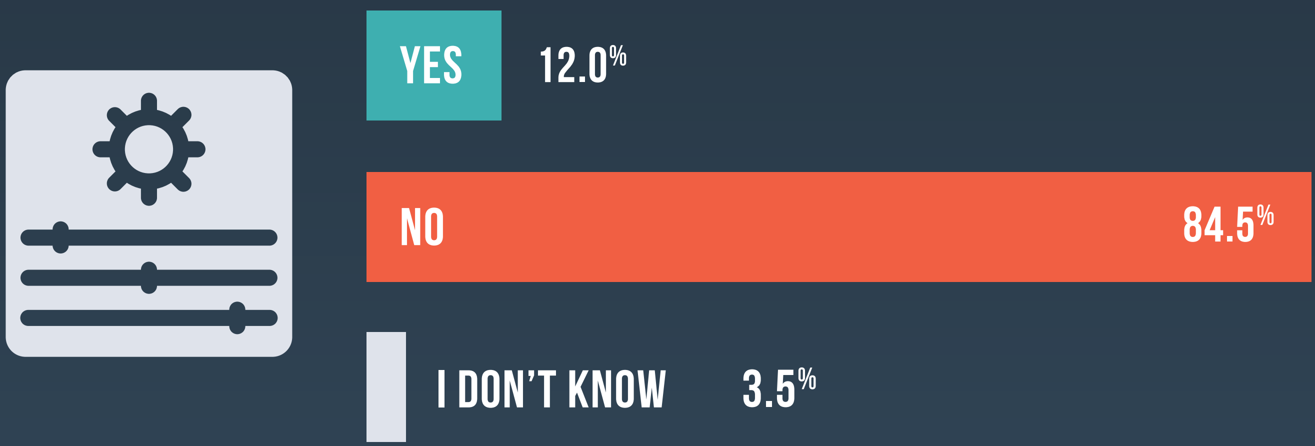
How much working capital do you have in your building company?



How much cash do you have in your building company?



Are you a member of a buying group?



PLANNING

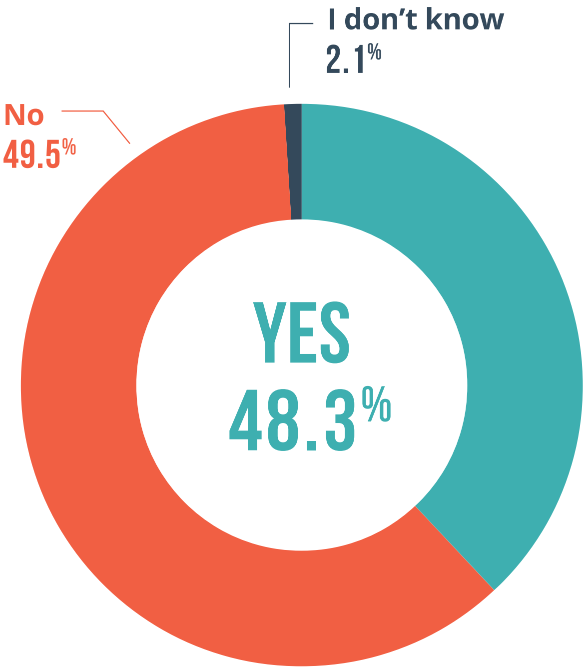
More builders are seeing the importance of having an organizational chart for their building companies with 48.3% of respondents having created one compared to just 36.1% in 2021.

Business planning is also becoming a higher priority for builders with 37.5% of respondents creating a plan for the next three years, which is a big increase compared to just 26.6% in the 2021 data.

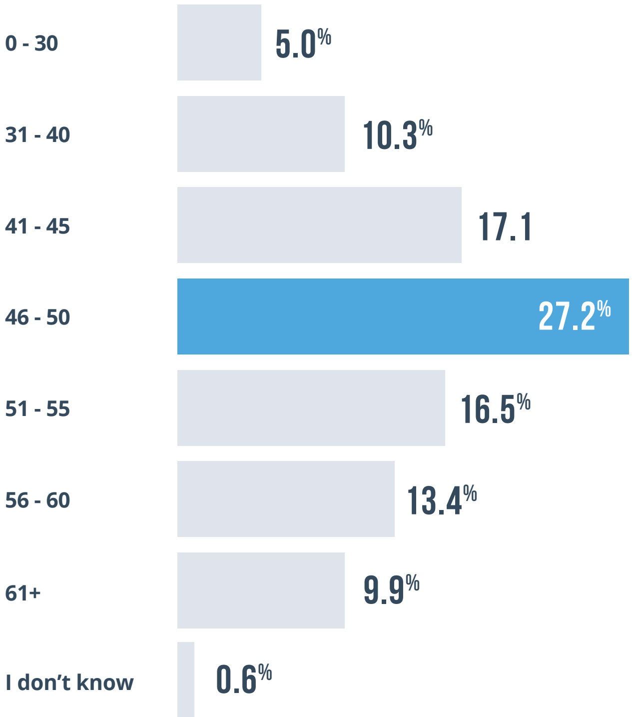
Despite 67% of builders putting in 46 hours a week or more, only 11.7% are able to spend at least half of their time working on the business instead of in the business. This means an enormous opportunity exists for a large portion of work that is currently being undertaken by the owners of building companies which could and *should* be delegated to employees or contractors. This would create more capacity for builders to focus on higher level items and strategic activities.

An important yet simple calculation building company owners should do is divide their salary by the average number of hours they work in order to understand the hourly rate they are paying themselves. The next step is to compare that figure to the hourly rate they are paying subcontractors and their own staff. Completing this exercise typically results in a realization that builders are grossly underpaying themselves for the work they are doing, and that something in the business needs to change.

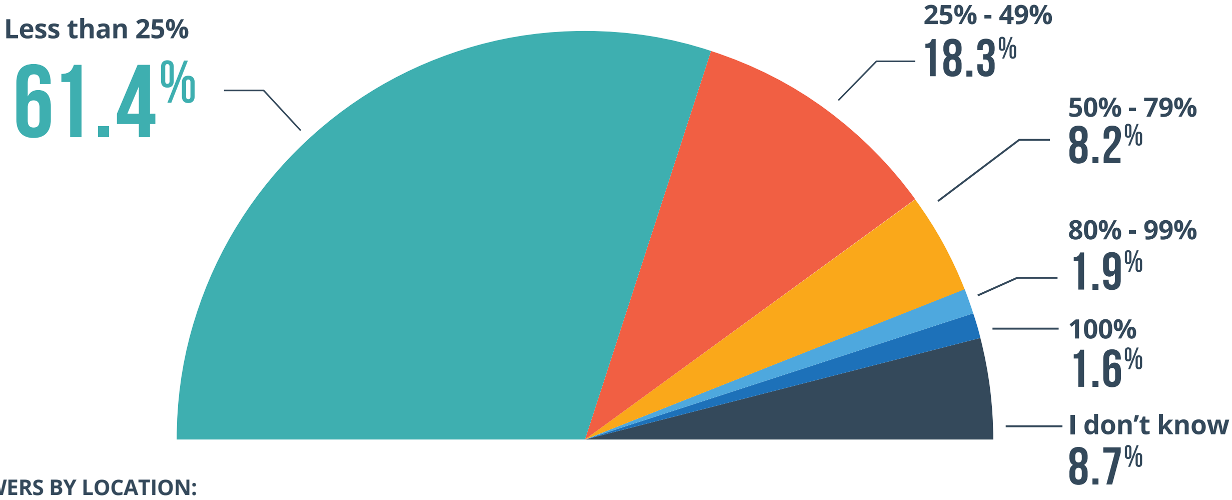
Do you have an organizational chart of your business?



How many hours a week do you work on average?



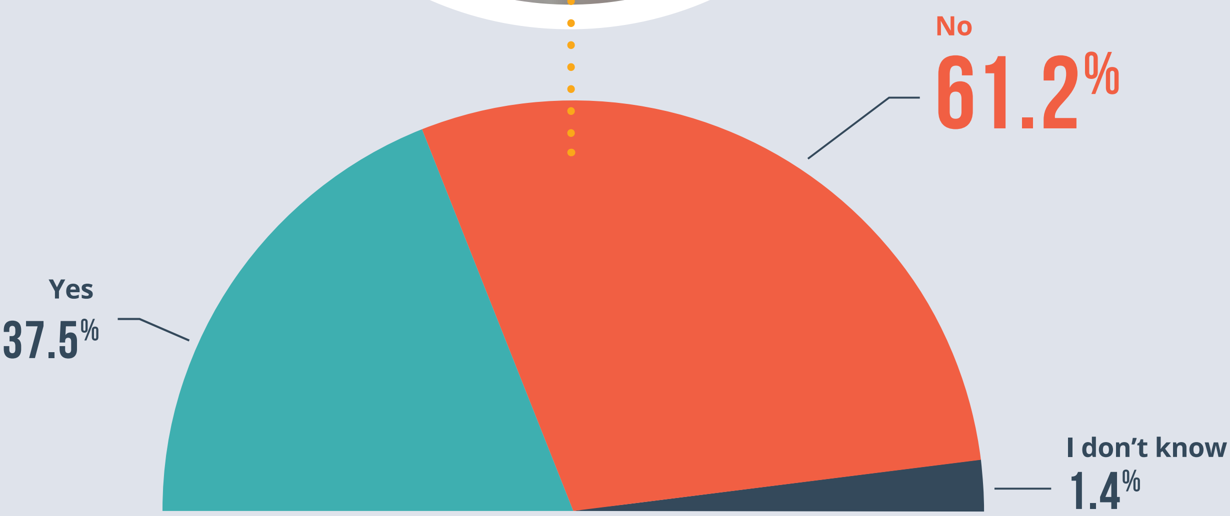
How much time do you allocate in your calendar to work on the business rather than in it?



ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Less than 25%	59.6%	64.9%	61.8%	56.5%
25% - 49%	16.4%	18.6%	20.6%	22.6%
50% - 79%	8.9%	5.7%	8.8%	12.9%
80% - 99%	2.7%	0.5%	5.9%	1.6%
100%	2.2%	1.5%	0.0%	0.0%
I don't know	10.2%	8.8%	2.9%	6.5%

Do you have a business plan covering the next three years?



ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Yes	36.9%	34.0%	44.1%	46.8%
No	62.7%	63.4%	52.9%	53.2%
I don't know	0.4%	2.6%	2.9%	0.0%

TEAM

Recruiting and retaining key staff has been a major headache for businesses in all industries in the last 12 months as low unemployment, employee burnout and stress have contributed to The Great Resignation.

With inflation continuing to erode the real value of employees' salaries, it has become more important than ever for builders to not only have the strategies in place to attract the best staff, but to also implement retention strategies as more and more competitors attempt to lure away good employees.

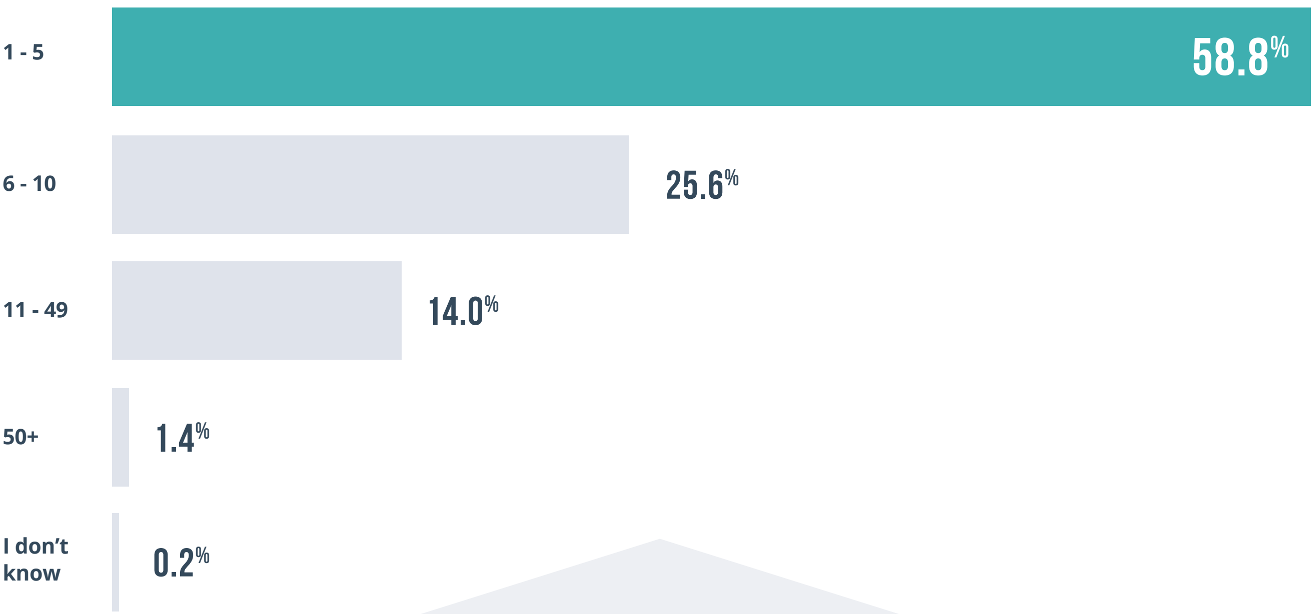
Therefore it has been encouraging to see that 27.2% of building companies now have a documented process in place for recruiting staff compared to 20.7% in 2021.

The 2022 survey showed an increase in the proportion of builders with onboarding processes (35.3%), employee handbooks (35.5%), written job descriptions (29.9%) and performance appraisals (43.3%). Builders are investing in these strategies for long-term benefits.

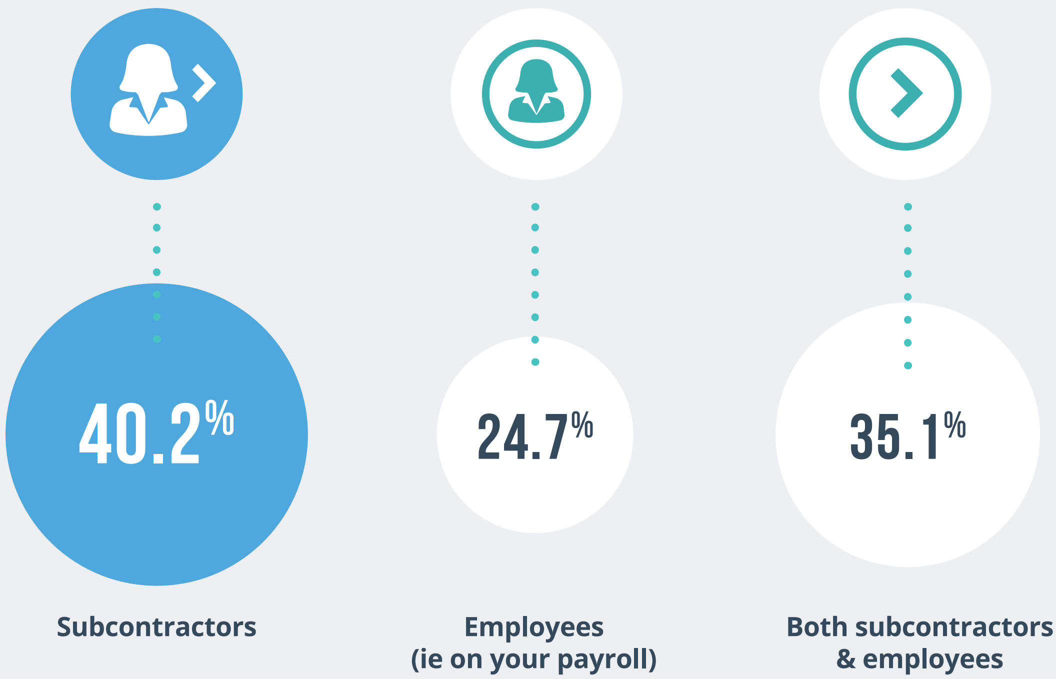
Interestingly, while more builders implemented weekly huddles, the number of builders running daily huddles decreased to 19%, down from 22.8% in 2021.

In terms of how residential building companies manage their carpentry teams, there was a big difference between builders in the United States whereby 61.8% use subcontractors whereas builders in Canada, Australia and New Zealand favor employing carpenters directly or using a combination of employees and subcontractors.

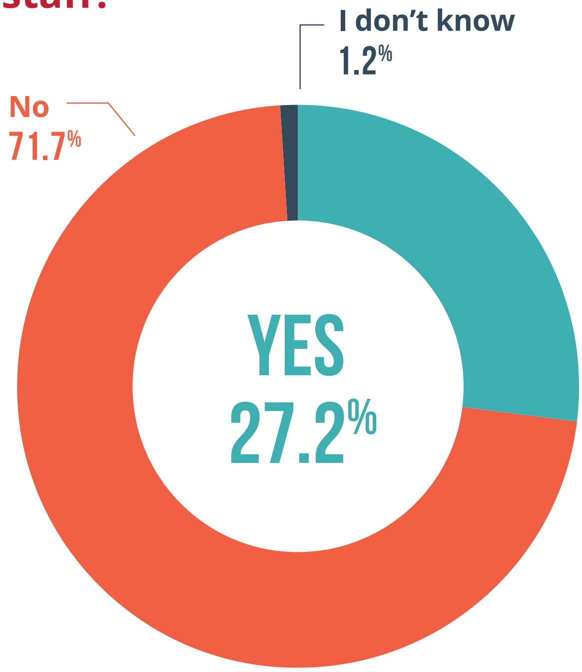
How many staff does your company employ?



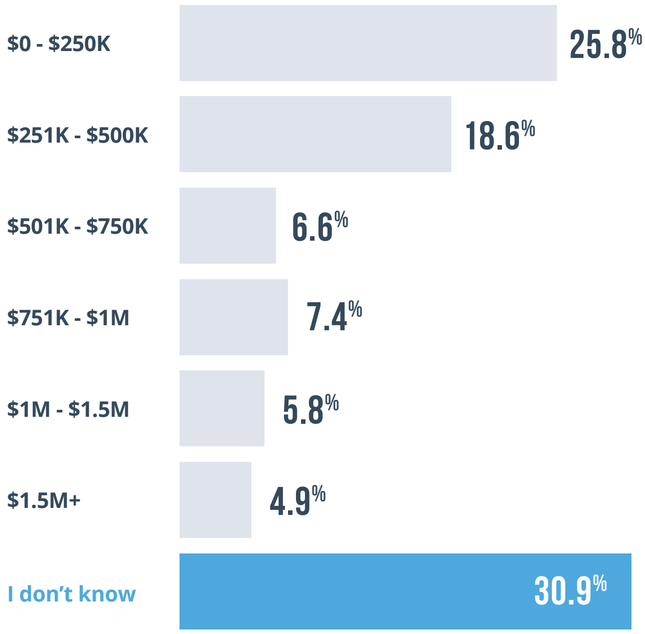
Is your carpentry work completed by subcontractors or in-house employees?



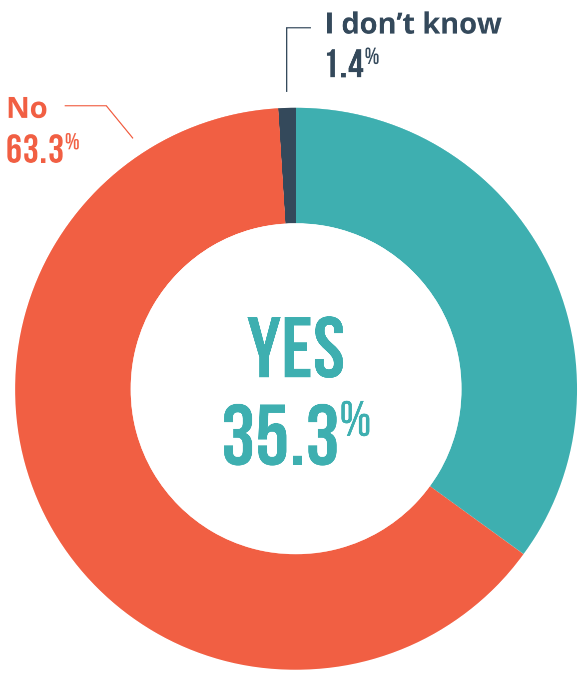
Do you have a documented process for recruiting new staff?



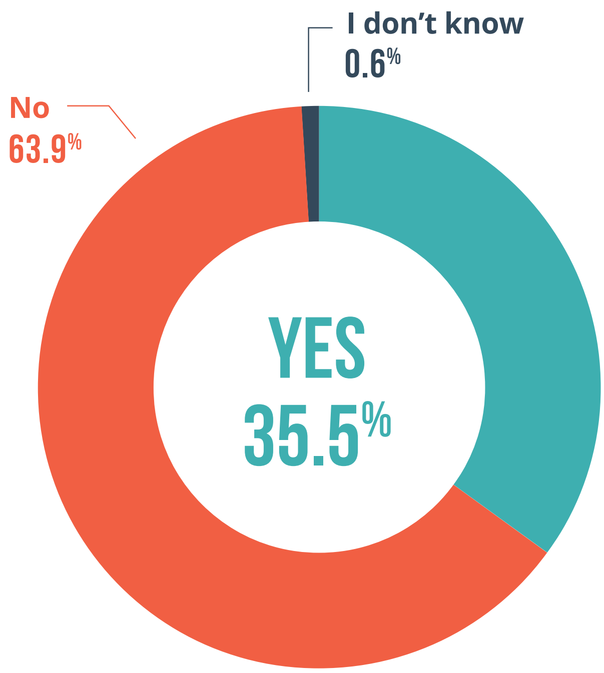
What is your revenue per employee?



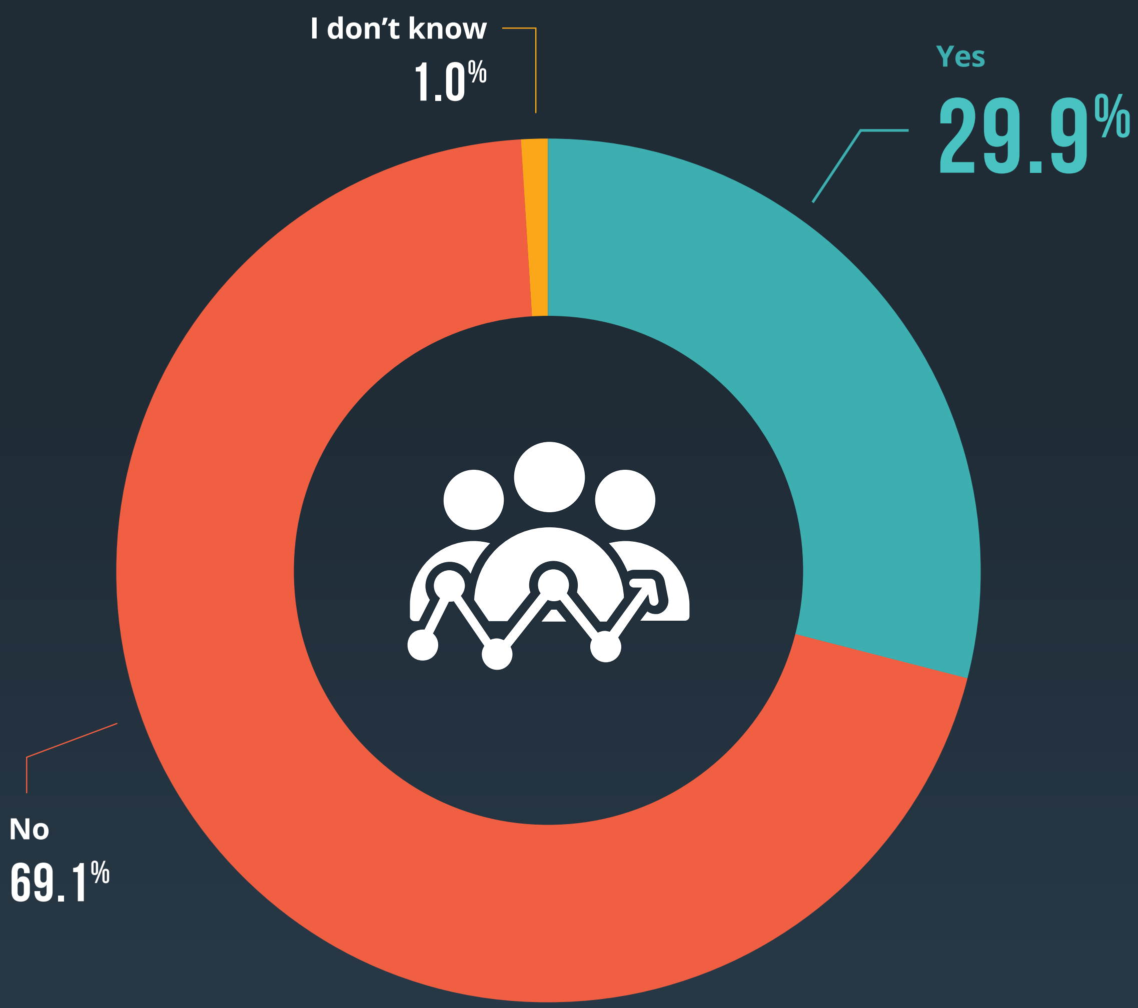
Do you have an onboarding process for new staff?



Do you have an employee handbook/company manual?



Do you have written job descriptions with clear Key Performance Indicators (KPIs) for every team member?



ANSWERS BY LOCATION:

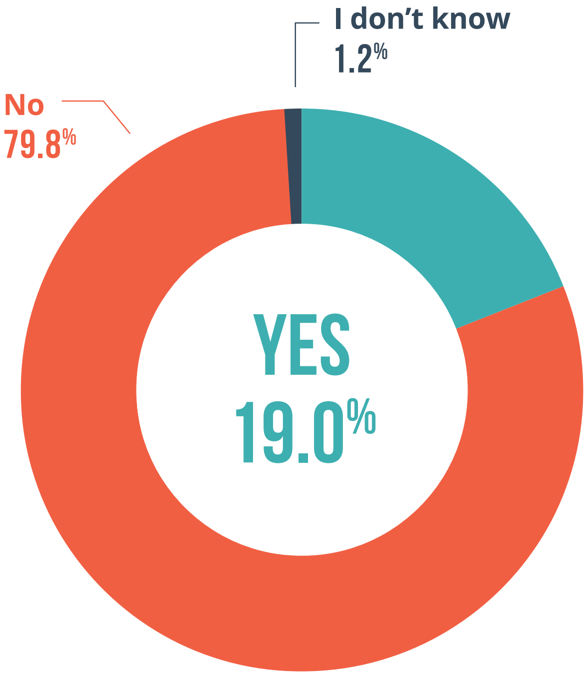
NEW HOMES

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Yes	26.8%	32.7%	11.1%	46.2%
No	72.0%	67.3%	88.9%	53.8%
I don't know	1.2%	0.0%	0.0%	0.0%

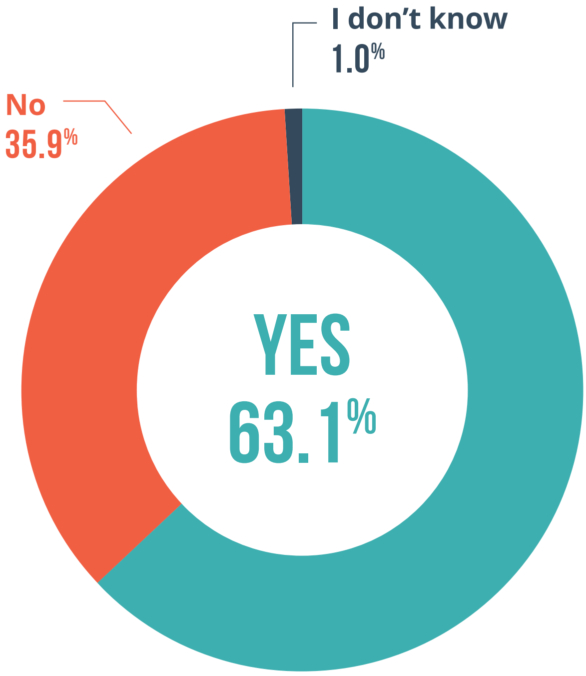
REMODELING / RENOVATIONS

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Yes	39.3%	21.8%	25.0%	34.8%
No	59.0%	75.9%	75.0%	65.2%
I don't know	1.6%	2.3%	0.0%	0.0%

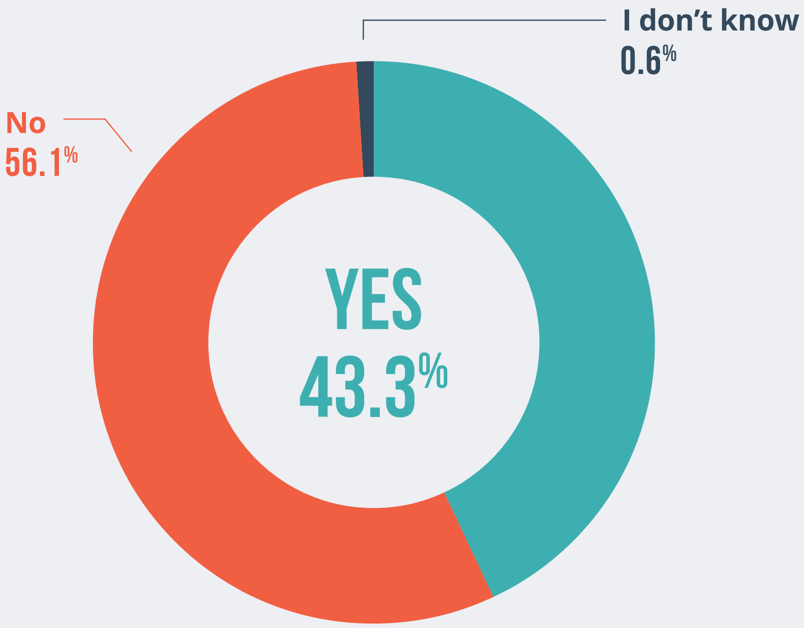
Do you hold daily huddles/ meetings?



Do you hold weekly huddles/ meetings?



Do you conduct 6-monthly or annual performance appraisals?



TRAINING

A common complaint made by building company owners during 2022 was the lack of time they had available to them. This was most likely the reason only 36.9% of builders were able to read three or more books during the year compared to 56.7% in 2021. There was also a big increase in the number of builders that didn't manage to read a single book during the year which went up to 21.4% of respondents compared to 12.1% in 2021.

While it can be difficult to find time to read physical books, there remains an abundance of opportunity to consume audio books due to the amount of time spent driving or exercising.

It was a similar story in terms of the amount of time allocated to training with the average number of hours per builder down from 2021.

However, the goals for builders over the next 12 months remain the same with systemizing the business being the number one priority for most building company owners, followed by increasing margins which remains a priority for 25.8% of builders.

And while builders struggled to find time for their own education, the trend understandably declined slightly with 36.3% of respondents spending more in 2022 which was down from 37% in the 2021 data.

Over a third (34.6%) of builders that took part in the survey currently pay to be mentored by a professional coach.

A concerning figure for 2022 was that over a quarter (26.2%) of respondents reported a deterioration in their mental health during the year. With the current pressures and stressors that owners of residential building companies are under, it's important the industry finds ways for builders to share their problems as opposed to remaining silent.

This is the driving force behind APB launching its local chapters initiative which are local groups run by builders for builders. APB's local chapters welcome all builders, not just APB members.

It's becoming crucial in the current climate to provide men and women in the industry with a supportive environment where they can connect and know that others share their struggles and care about their well-being.

Bn
Builder Nuggets
Est. 2020

Investment in training is key to growth and success for construction companies

By Dave Young and Duane Johns, Regional Partners with Alair Homes and Hosts of the Builder Nuggets Podcast.

After a year of turbulence, one SORCI category stood out as offering the greatest opportunity for investment and growth. (Luckily, it's one you can directly influence.)

Training.

As business coaches we've witnessed construction companies make incredible strides through strategic investments in their people. Systems, learning, training and coaching all contribute to building a culture of elevation that turns small businesses into valuable and rewarding self-led companies.

The SORCI survey revealed that 37.3% of respondents want to enhance systemization. In order for implementation to be successful, systems and processes need to be supported by policy, manuals and training. Of the builders surveyed, 79.8% indicated they dedicated six hours or less to training each month and 68.3% said they spent under $417 per month on training. Lack of team adoption is often cited as the reason new tools or programs fail. When you commit to a new system, consider optimizing your return on investment (ROI) by ramping up time spent with your team (and be clear about the 'why' behind the shift).

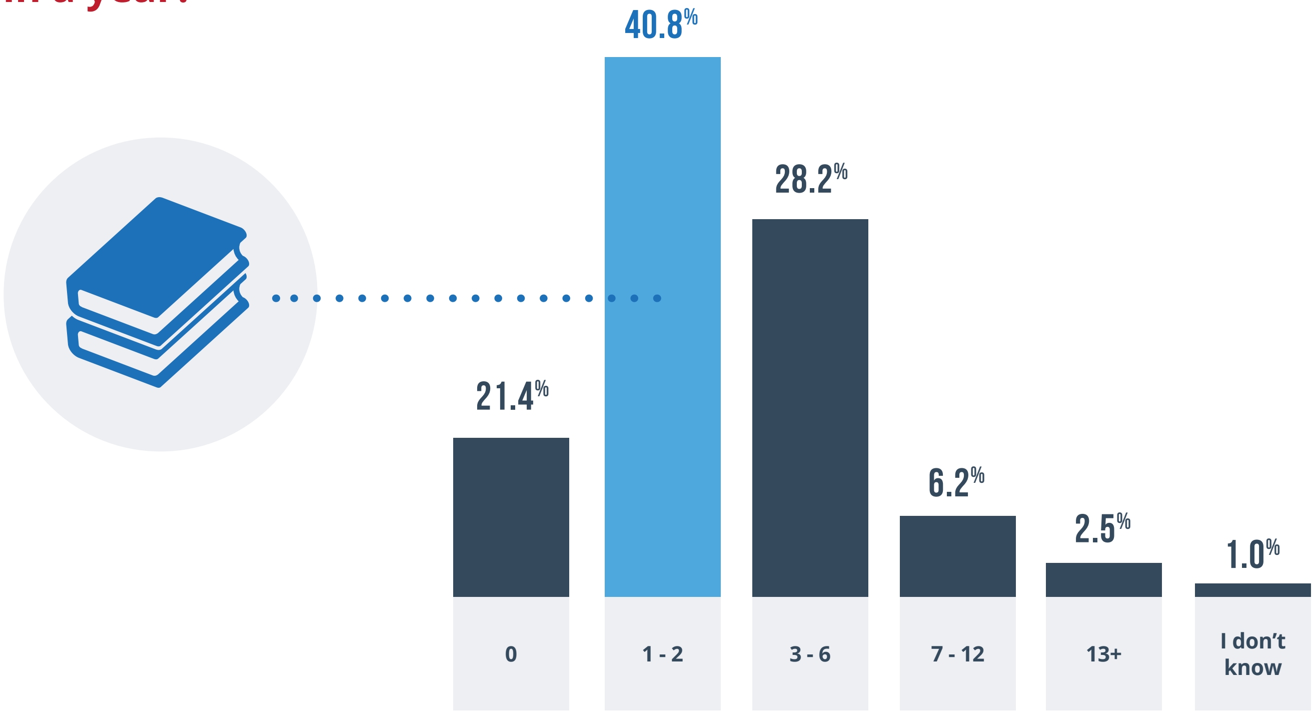
Truly great leaders make constant investments in themselves. One in 14 listed self-growth as their primary focus. Want to build a better team? Seek to improve your leadership skills and find ways to get your people access to the same.

When your people feel invested in, they invest back. In today's employment climate, retention is more important than ever. If your people are burnt out, under-valued, or commoditized, they'll leave (or worse, stay and underperform). Intentionally creating learning opportunities—then giving staff space to share and lead—creates a winning culture that attracts more winners.

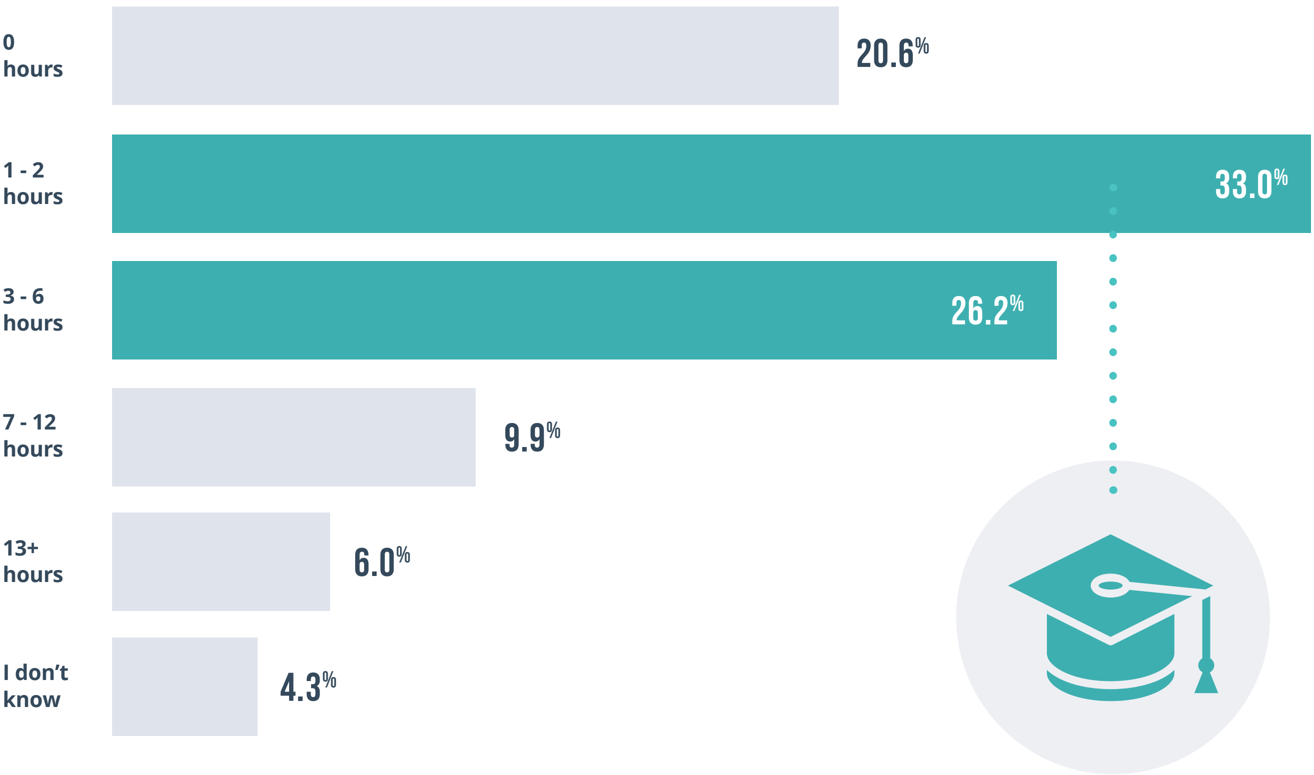
If you are one of the 81.4% that don't have a succession plan, look inside your current team for future owners. Your new investments increase productivity, reduce risk, create predictability and value, and can internally produce your ideal buyer(s).

Pro tip: Worried about the time this will take, or not sure where to start? You don't need to figure it all out yourself. Find a Mastermind. (Bonus if it's one your whole team can experience.)

How many books do you read in a year?



How much time do you allocate to training each month?



LISTEN HERE:

PROFESSIONAL BUILDERS SECRETS PODCAST

The Professional Builders Secrets podcast is here to help builders grow their building companies. Host, Bosco Anthony, along with Co-founders of the Association of Professional Builders, Russ Stephens and Sky Stephens, explore the world of residential construction.

The Professional Builders Secrets podcast brings together some of the best minds in the industry along with professional builders to share their experiences in residential construction and provide insightful tips to builders on how to operate and grow their businesses.

Episodes released weekly with each packed with helpful recommendations from industry experts on how to run a successful building company covering a range of topics including sales, marketing, financials and operations.

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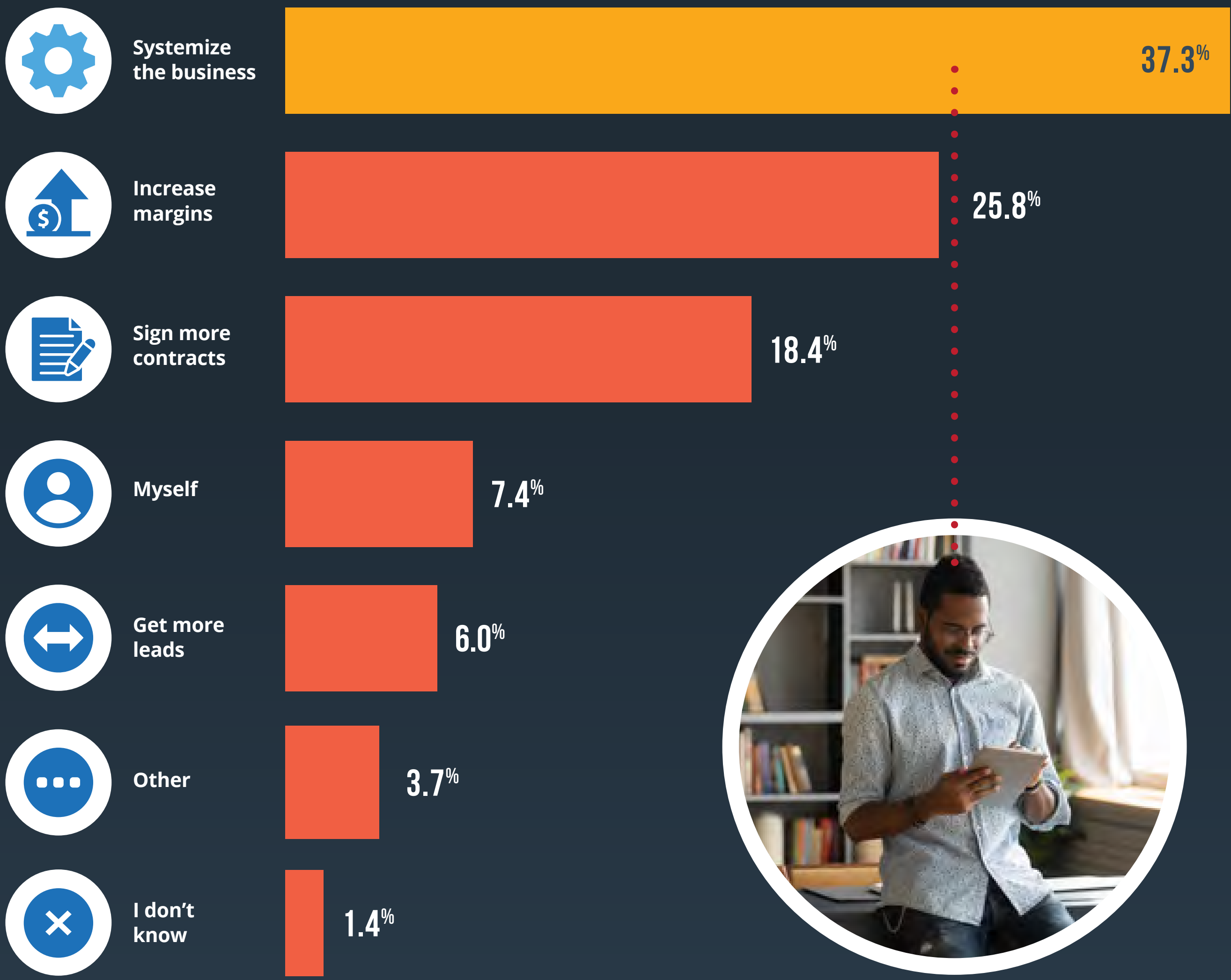
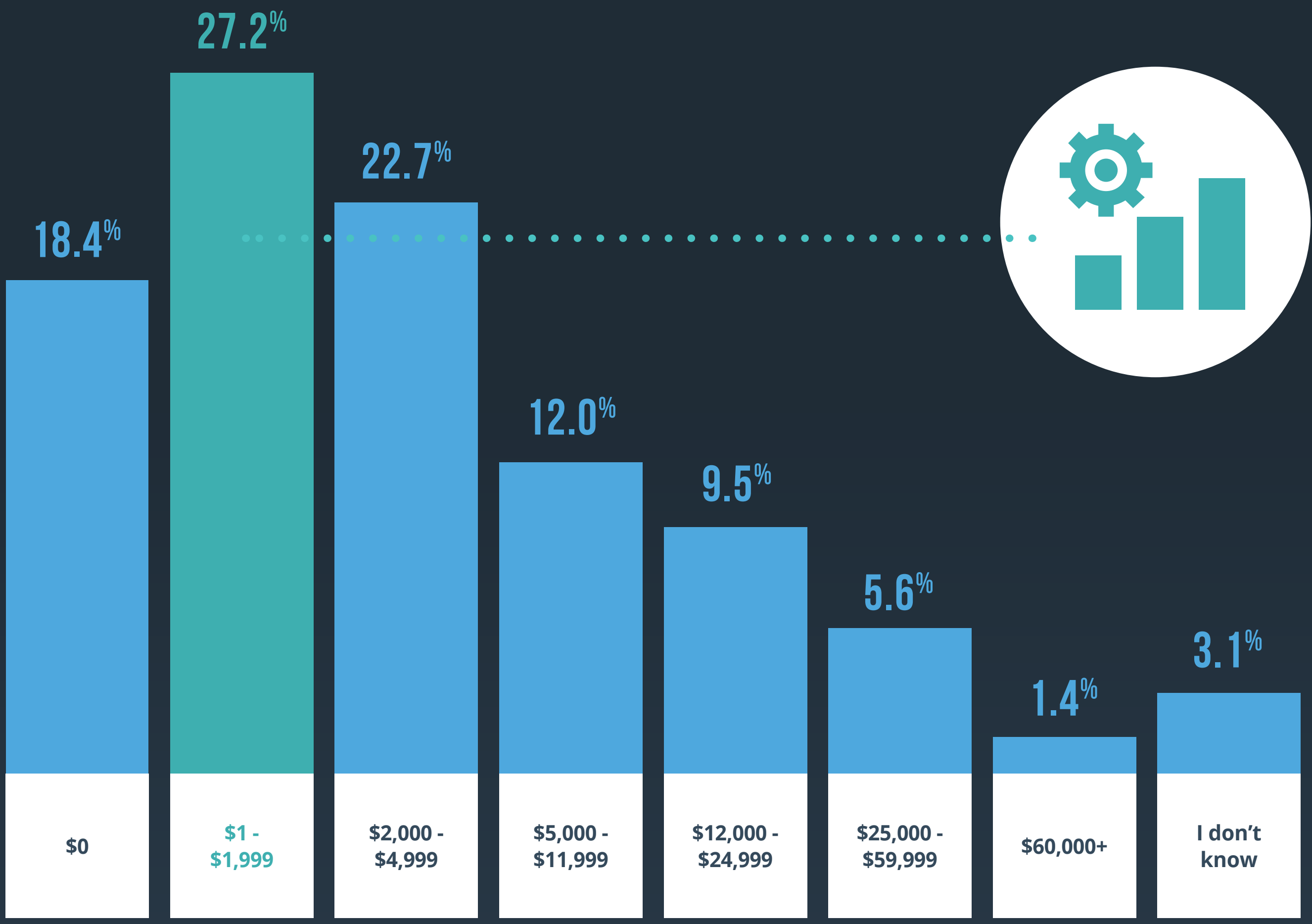
What is the #1 thing you would like to improve in your business in the next 12 months?



ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
Systemize the business	39.1%	39.2%	38.2%	24.2%
Increase margins	20.9%	31.4%	8.8%	35.5%
Sign more contracts	22.2%	11.3%	26.5%	22.6%
Myself	8.0%	6.7%	2.9%	9.7%
Get more leads	5.8%	5.2%	11.8%	6.5%
Other	2.7%	4.6%	8.8%	1.6%
I don't know	1.3%	1.5%	2.9%	0.0%

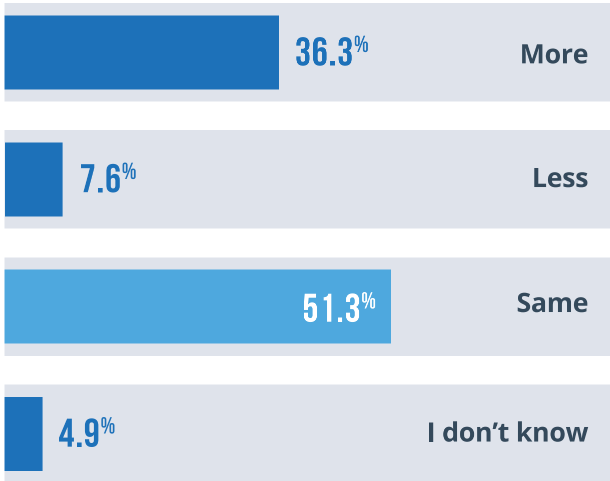
How much did your company invest in training in 2022?



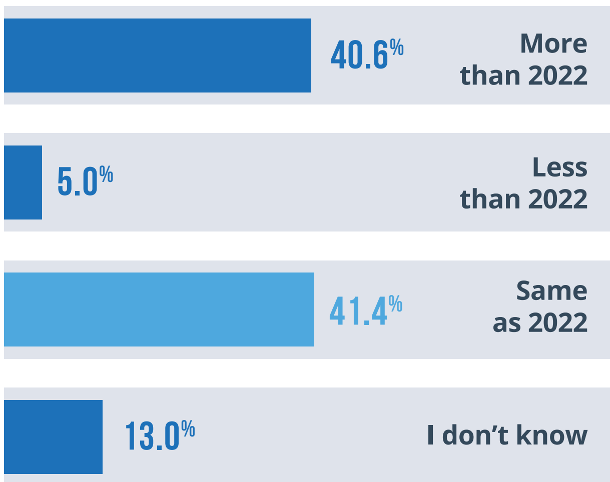
ANSWERS BY LOCATION:

CHOICES	UNITED STATES	AUSTRALIA	CANADA	NEW ZEALAND
$0	23.6%	17.0%	2.9%	12.9%
$1 - $1,999	28.0%	25.3%	26.5%	30.6%
$2,000 - $4,999	19.6%	23.2%	20.6%	33.9%
$5,000 - $11,999	11.6%	11.3%	23.5%	9.7%
$12,000 - $24,999	9.3%	9.8%	11.8%	8.1%
$25,000 - $59,999	3.1%	9.3%	5.9%	3.2%
$60,000+	1.3%	1.0%	5.9%	0.0%
I don't know	3.6%	3.1%	2.9%	1.6%

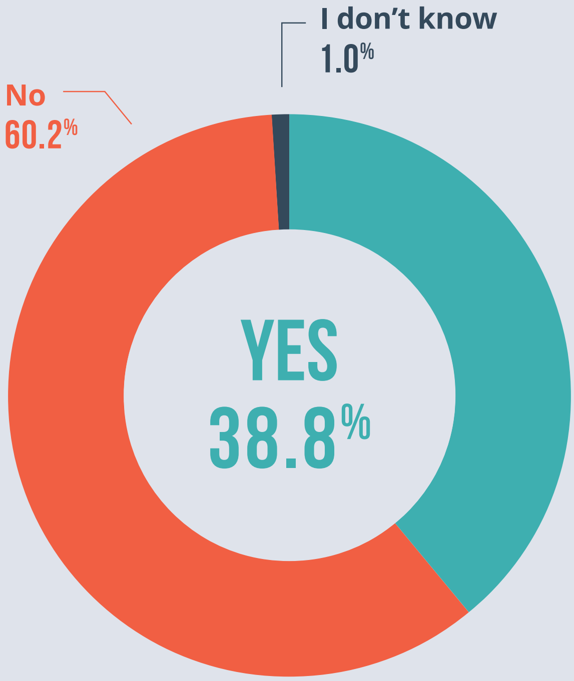
Did you invest more in training in 2022 than you did in 2021?



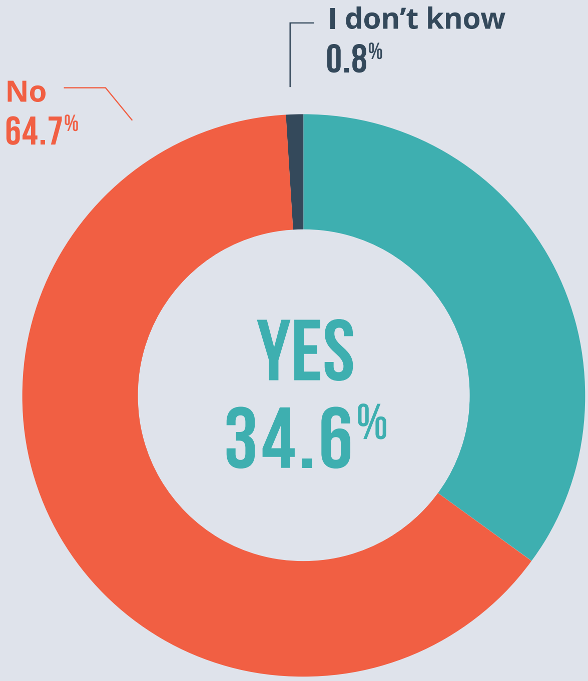
How much do you plan to invest in training in 2023?



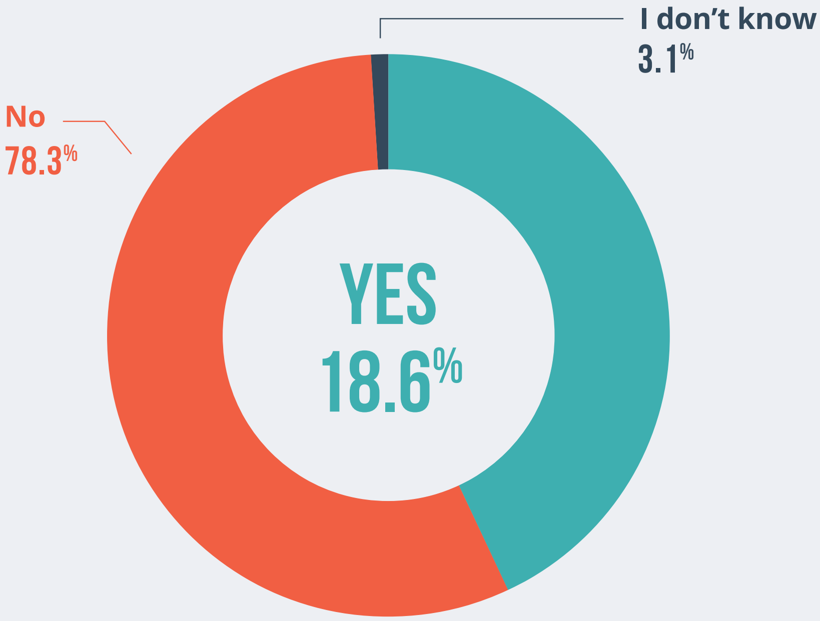
Do you have a coach or mentor?



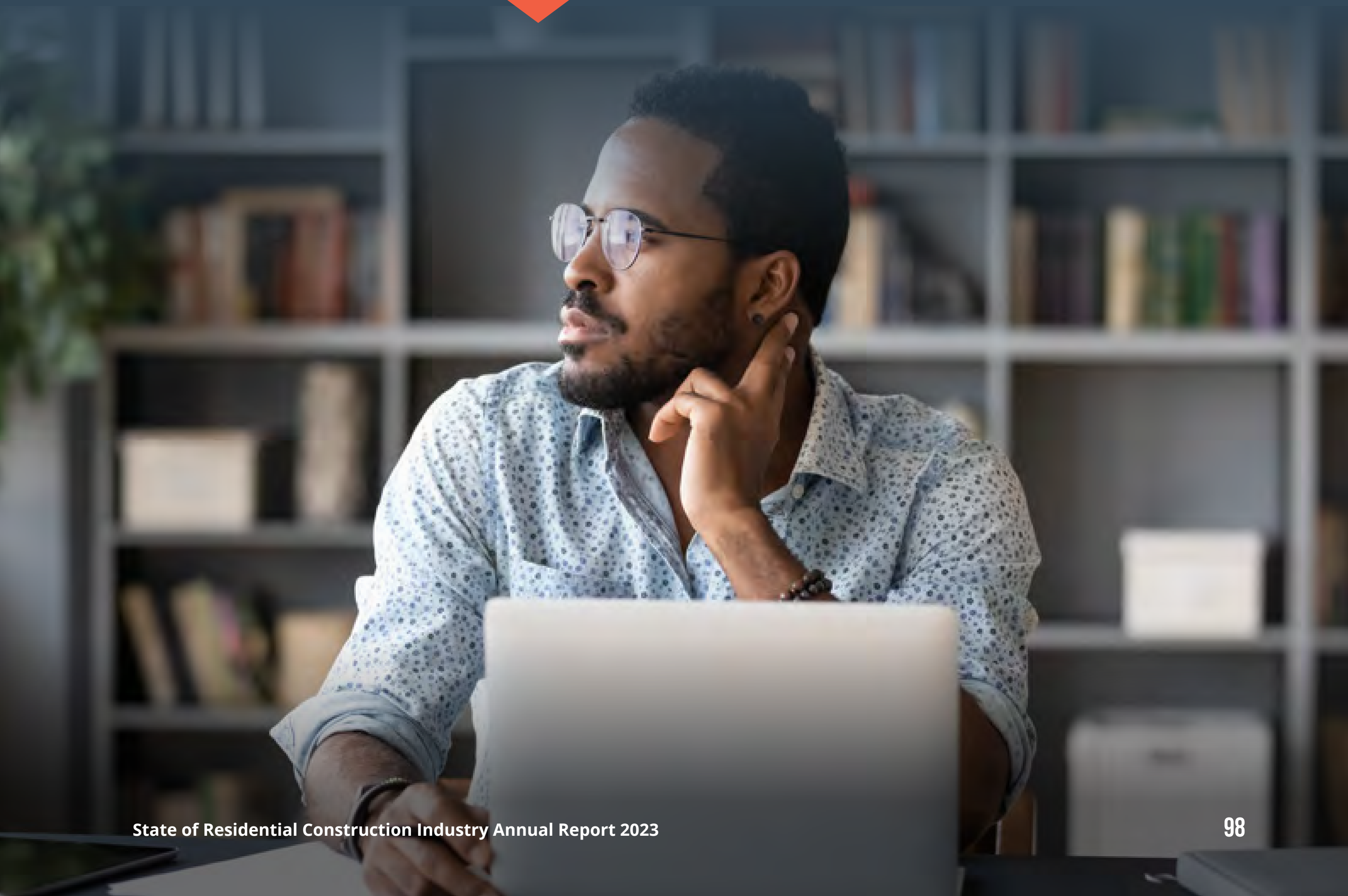
Do you pay for coaching or mentoring?



Do you have a succession plan?



How has your mental health been in 2022 compared to last year?



INTRODUCING

APB CHAPTERS

For too long builders have been **pitted against each other** in an attempt to divide and conquer.

However, when builders come together and talk openly, everyone in the room benefits.

If you'd like to join your local APB Chapter meeting which is run by builders for builders then scan the QR code below.

Scan for chapters near you

GLOSSARY

Cost Per Lead (CPL)	The cost per lead (CPL) is a metric that measures the cost or dollar value of how much it costs to acquire a lead from your marketing campaign (refer to the definition of a lead). The CPL can help in further calculations to establish the return on investment (ROI) for a marketing campaign. **CPL = [CAMPAIGN SPEND/LEADS GENERATED]** By comparing CPL to the value of your product or service you can determine whether the CPL on your campaign is too high in which case you may decide to end the campaign. However, if the CPL is low, then the organization may wish to scale the campaign up to generate more leads.
Customer Relationship Management (CRM) System	Customer Relationship Management (CRM) is a technology that is used to manage dealings with contacts, customers, prospective clients and clients. It's a system that enables organizations to build, maintain and manage relationships and streamlines processes and interactions in an effort to increase sales, improve customer service and inevitably boost profitability.
Drawings	Drawings are the amount of remuneration paid to the company owners.
Fixed Expenses	Fixed expenses (also known as fixed costs, indirect costs or overhead costs) are the expenses that cannot be directly attributed to a particular project (eg cost of sales).
Handover	A handover is when a home has reached practical completion and there are no major defects. It is possible at the handover stage that some items remain outstanding but they must not be considered major defects and the home is considered suitable to move into or in the instance of a remodel/renovation, be suitable for living. This is also the point in the project where the client must make the final payment.

Huddles	**Daily Huddle** A daily huddle is a short daily meeting, generally no longer than 15 minutes conducted by a team leader to discuss tasks or plans for the day. The meetings maintain a consistent format with the purpose of maintaining alignment and keeping the team focused on the bigger picture and to help remove any stuck items that may be preventing someone from progressing with their assignment or task. **Weekly Huddle** A weekly huddle is typically longer than a daily huddle, generally 30 minutes and not longer than one hour to evaluate progress and discuss the strategy for the week ahead and to ask for help if needed. Typically the weekly huddles address one or two main topics.
Key Performance Indicator (KPI)	A key performance indicator (KPI) is a value that illustrates if a company is achieving its business objectives or not. KPIs must be measurable values so that organizations can assess and calculate how effective their performance has been in achieving their targets. Many organizations measure high-level KPIs and low-level KPIs. High-level KPIs often focus on overall performance of the business for a definite period of time, whilst low-level KPIs often tend to focus on processes in business units, service lines or departments.
Lead	A lead is a person that has expressed interest in your building company's products or services. A lead is typically a contact at the first stage in the buyer's journey that has entered your sales process but has not been qualified.
Lead Generation (aka Lead Gen)	As an extension of the definition provided above for a 'lead', lead generation is the process of creating interest and attracting consumers who express an interest in your organization's products or services. It is a marketing process or strategy that is utilized in an effort to generate sales by drawing in a consumer, converting them into a lead and eventually converting the lead into a customer or client. It's a strategy that is used to create awareness in your target market in an effort to raise your organization's profile making it more likely that you're top of mind so that your leads will eventually make a purchase from your company.

Marketing Qualified Lead (MQL)	A marketing qualified lead (MQL) is a lead who is considered to be most likely to ascend into a sales qualified lead (see definition of sales qualified lead) compared with other leads. This is typically assessed on certain criteria, such as having a phone number, which enables them to be passed over to the sales team for further qualification.
Sales Qualified Lead (SQL)	A sales qualified lead (SQL) is an MQL that has been qualified by the sales team, typically after a phone conversation or an in-person meeting.
Margin	**Gross Margin** Gross margin is your gross profit as a percentage of revenue. **Net Margin** Net margin is your net profit as a percentage of revenue.
Markup	Markup is the percentage added to the cost of sale (eg labor and materials).
Net Promoter Score (NPS)	A net promoter score (NPS) is a metric that measures your customer's experience as a percentage of ratings. The NPS also provides an indication of the organization's growth potential by rating the likelihood of your customer recommending your business to a friend or colleague via their response to a key question. How likely is it that you would recommend [your company] to a friend or colleague? The responses will then fall into one of the following three categories: Promoters – score range 9 – 10 – these are the raving fans who are the most likely to continue business with you and also refer others to your business which increases growth. Passives – score range 7 – 8 – these are satisfied or neutral customers who are susceptible to defecting to your competitors. Detractors – score range 0 – 6 – these are unsatisfied customers who may be potentially detrimental to your brand and reputation and hinder growth. To calculate your NPS score, subtract the percentage of detractors from the percentage of promoters.

Objections Manual	An objections manual is a document that captures the common reasons why prospects either can't or won't sign a building contract. The objections manual would typically outline the objections and then provide a method or strategy for the sales person to overcome those objections in an effort to close the sale. Objections form a roadblock for sales teams and therefore an objections manual helps to guide the sales person through the recommended steps to take when a prospect raises an objection/concern. Usually this is in the form of asking the prospect a series of questions in an effort to uncover the real problem that is preventing the prospect from moving ahead with the purchase. Typically the objections manual will then outline the best possible response or action the sales person can take that provides a solution to the prospect's concern in an attempt to progress the sale.
Onboarding Process	Onboarding is the process of introducing employees to the processes, culture and expectations of the business. The onboarding process familiarizes employees with the organization with the purpose of providing them with the necessary tools and information required so that they're able to adjust to their new job as quickly and smoothly as possible. Onboarding helps new employees become comfortable and confident enabling them to perform at an optimal level as early as possible.
Organizational Chart	An organizational chart is a diagram that visually illustrates the company's structure by outlining the reporting relationships of departments/ business units/service lines and ranks of positions/jobs. It's a visual tool that explains the chain of command within the organization.
Performance Appraisals	A performance appraisal is a process that helps to manage employee performance by identifying, assessing and developing a pathway to progression for employees to help them achieve the goals and objectives of the organization. It is a meeting to review an employee's job performance and contribution to the organization by evaluating their skills, achievements and growth. On the contrary, performance appraisals may uncover gaps in knowledge, a lack of skills and growth that may have affected job performance. A performance appraisal is a forum to provide employees with recognition, feedback, career guidance and a development plan.

Post Project Completion Audits	Post project completion audits evaluate the budgeting and efficiency after the building project has been completed. It is a process that assesses the financial outcomes of the project by comparing the planned or budgeted outcome versus the actual outcome. These audits typically take into consideration costs, use of resources and results. In most cases it assesses whether the project was completed on time and on budget. If not, then the process works to identify where the problems occurred that steered the project off course. It is a process that promotes ongoing and continuous learning to foster improvement for delivering future construction projects effectively and efficiently.
Preliminary Building Agreement (PBA) / Prelims	A preliminary building agreement (PBA) is a contract that comes before the actual building contract. PBAs enable the builder to undertake an information gathering process to be able to provide the client with a fixed price for the construction project. Construction projects are complex and in most cases there are many steps involved prior to commencement. Such steps include obtaining mandatory information, for example, soil tests, development approvals, efficiency reports, certificates and engineering reports. A PBA enables the builder to obtain this necessary information to be able to provide an accurate price and offers benefits to both parties in that it protects both the builder and the client from unexpected or hidden costs throughout the building process.
Remuneration	Remuneration is payment or compensation for work performed or services provided. Typically remuneration includes wages, salaries or commissions but can also include non-monetary allowances including, but not limited to, company cars, medical plans or meal allowances.
Search Engine Optimization (SEO)	Search engine optimization (SEO) is the process of improving your website/site to increase your visibility in search engine results. The ultimate goal of SEO is to achieve a high enough ranking in the search results in an effort to direct traffic to your website or page. Good visibility in search results means you're more likely to increase awareness and therefore the attention of prospects. For example, when a user searches for particular words or a phrase in a search engine such as Google, Bing or Yahoo, the results that appear are the best matches for those particular words in order of ranking. Many organizations may focus their SEO efforts on ranking highly for only specific words or phrases that they deem crucial in attracting the right prospects to their site.

Succession Plan	A succession plan is a document or process that identifies the critical positions or leaders within the organization and aims to develop and prepare staff in order to qualify for those identified positions. It is a strategy or process that endeavors to groom staff in an effort to replace leaders or fill the organization's critical positions. It's a workforce planning process that is designed to increase the availability, capability and experience of employees to undertake these key roles as and when they become available.
Workflow	Workflow is the balance of contracts that have not been invoiced. Not to be confused with work in progress, or the sales opportunities currently in the pipeline. It is the un-invoiced contract value for the existing signed contracts. To put simply, it can be thought of as guaranteed sales. For example, consider you have $1,000,000 worth of total contracts, and to date you've claimed/invoiced $400,000. The workflow figure is $600,000; it's the un-invoiced contract value.
Work In Progress Accounting Adjustment (WIPAA)	Work in progress is the difference between the forecast cost to complete, as a percentage of completion, and the amount actually invoiced. It is applied to a construction company's accounts at month-end as a journal entry.

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