

Raise your profit margins

Rick Stoor, MD of Templa, examines the financial case for integrated business software in the contract cleaning industry

It's no secret that margins in contract cleaning are under pressure as clients drive down the costs of outsourcing. According to research the average net profit margin amongst the top 1000 cleaning companies is less than 4%. So for a company with a turnover of £1m that's a £40,000 reward for 12 months graft – a figure that could easily be wiped out without tight financial control.

The concern for the cleaning industry at large is that hundreds, if not thousands of companies may not make any profit at all. But if the 4% average margin is right, it begs the question, "Without compromising service, what can be done about the 96% that represents a cleaning contractor's cost base?"

Unconnected software systems make tight financial control impossible

Most contractors I meet use a combination of off-the-shelf packages and spreadsheets to run their key business processes. In doing so they experience the frustration of managing several unconnected systems (and suppliers), most of which don't cater for the idiosyncratic nature of the cleaning industry.

The most common 'symptoms' are:

- Force fitting your payroll into a standard package that doesn't recognise the unique nature of cleaning company pay structures, for example staff who work at more than one site, are paid at more than one rate and cover for each other
- Not knowing whether your payroll will be over budget before you press the button to process it
- Manually scheduling and issuing works orders and often neglecting to invoice clients
- Mistakes in invoicing consumables when you have multiple suppliers and charge different mark-ups to different clients
- Constantly keying the results of site-based activity back into your head office systems, for example quality audits, new starters, risk assessments



- Forever downloading data from different systems onto spreadsheets to perform financial or operational analysis, for example 'payroll budget versus actual' or 'site profitability'

Many of the owners I meet talk about having poor visibility of margin or 'driving through the fog without headlights'.

How integrated management software can solve the problem

Integrated business software can't clean buildings, but it does control the cost of doing so by making processes more efficient. The way it works is that a single, central database stores all client data which business 'modules' then use to process daily tasks and transactions. The benefits are simple:

- It is designed specifically for contract cleaning and reflects cleaning pay structures
- You no longer need to enter the same client data to multiple systems, saving time and reducing the potential for administrative errors
- You further reduce admin by computerising time consuming tasks such as ordering and invoicing consumables
- 'Touch of a button' reporting means you know the cost of your pay run before you process it. In fact all costs and revenues can be budgeted and analysed down to site level

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- Field managers can view and amend payroll data online and in real time, saving their time and your payroll department's time
- You can schedule known future events in advance such as annual contract increases or periodic work, reducing the risk of clients not being charged correctly or at all.
- Field managers perform site-based tasks on their mobile devices, with data transmitting automatically to and from HQ.
- You can share key information with clients, fostering more trusting relationships

The result? Financial control is improved whilst field managers have more time to support front line staff and keep clients happy. It not only makes existing contracts more profitable but helps companies reap the benefits of turnover growth without a corresponding increase in admin resource – which equals improved margin.

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Fully integrated management software for cleaning contractors

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