Business

Using XactRemodel to Increase Profitability

by Shawn Van Dyke

To save time, many contractors estimate custom remodeling projects using square-foot costs, and many homeowners expect to see estimates or proposals for a remodeling job calculated this way as well. Unfortunately, this kind of estimating isn't very accurate. Only a proposal with a detailed scope of work will ensure that you get paid for the work you are performing and that the owners get the level of service they expect. To achieve these results, my company exclusively uses XactRemodel estimating software by Xactware.
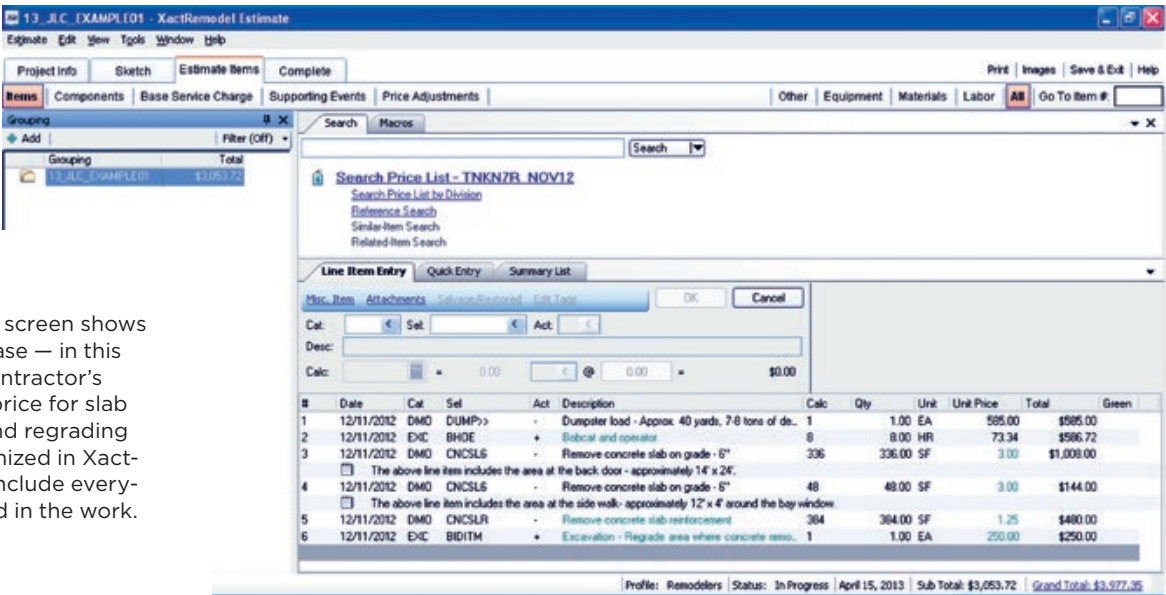
I have been a licensed general contractor specializing in custom design and remodeling for residential and commercial projects since 2005. While doing insurance restoration work, I became familiar with Xactware's Xactimate software, which is used by insurance companies to determine the scope and value of a claim. When I learned that Xactware made a version specifically for remodelers, called XactRemodel, I bought it for my business.

For me, the primary value of XactRemodel lies in its database of item costs, which are updated every month by region. This pricing data has saved my company endless hours of calling subcontractors, suppliers, and manufacturers in search of the latest cost information while preparing clients' budgets and allowances for various types of projects. Don't get me wrong: No software is a "cure-all" for properly estimating a project, determining the scope of work, and receiving qualified proposals from professional subcontractors. But I don't like to send my subs all over town quoting jobs I'm not sure I'm going to get or that the client can't afford to do. Using XactRemodel allows me to propose jobs without wasting my subcontractors' time, and provides me with a tool to prepare a detailed scope of work to be performed that I can show the customer.

On a recent project, for example, we had to remove a portion of a 6-inch concrete slab that had been installed incorrectly by someone else. I called my concrete subcontractor and asked him to estimate the square-foot cost for labor and equipment to remove the slab and regrade the area to create positive drainage away from the house (we would provide the Dumpster). After his estimate came back at $3 per square foot, plus $250 for a Bobcat for the grading, I calculated his price for the job at $1,402 (384 square feet × $3 + $250). I then used XactRemodel to determine the value of the total scope of work to be performed (**see Figure 1**).

Figure 1. This screen shows how a job phase — in this case, a subcontractor's square-foot price for slab demolition and regrading — can be itemized in XactRemodel to include everything involved in the work.

According to XactRemodel, my cost to the customer for all the slab-related work (line items 2–6) would be $2,468.72. After the customer signed the contract, I called the subcontractor and told him we got the job. It was only then that he needed to visit the site and send me a quote. Though it came in slightly higher than his over-the-phone estimate, it was still within the price I had quoted to the customer.

Standard Documents

My company typically prepares an agreement for our projects, either a "Contract for Services" (for large remodeling projects) or a "Proposal for Services" (for smaller jobs). We set it up as a complete construction contract that covers the general legal requirements for performing the work, and in it we refer to an attachment we call a "Scope of Work," which we produce using XactRemodel.

The Scope of Work is a detailed list of every task and all materials for a given project, from demolition and floor protection to quantity of shoe molding and fixture allowances. It spells out exactly the work we will be performing. Including this document in our contract protects us from "scope creep," a major cause of lost profitability. It also protects our clients, because it gives them a precise list of the work that is to be performed. We especially like the fact that when clients request changes on a project, we can point to the agreed-upon scope and justify the additional charges.

The Scope of Work is helpful when dealing with our trade contractors, too. Because XactRemodel holds the details of every phase of the project, we can produce "Trade Reports," which we give to subcontractors to define the scope of their work or to serve as work orders.

Estimating Tools

XactRemodel's features make it easy to produce and customize estimates for projects of any size and complexity. For example, the "Line Item Entry" tab enables the
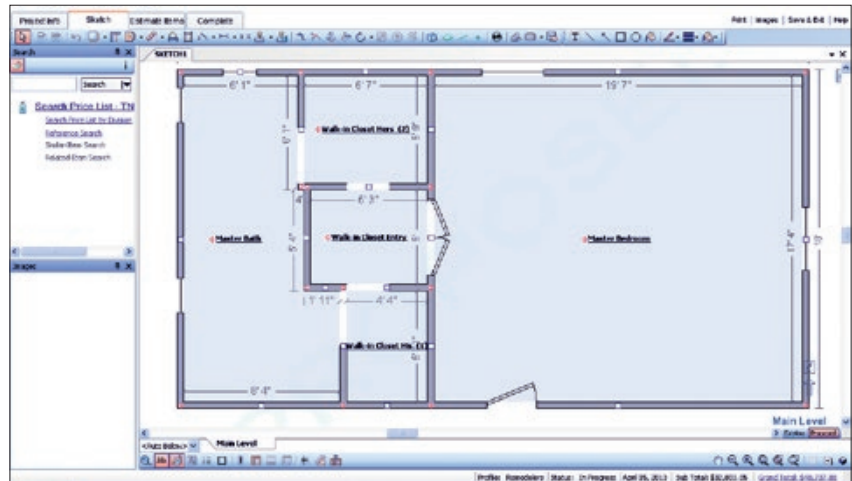

Figure 2. Using XactRemodel drawing tools, the author created this floor plan for a master-bath remodel, then let the software generate takeoff quantities to build a complete line-item estimate.
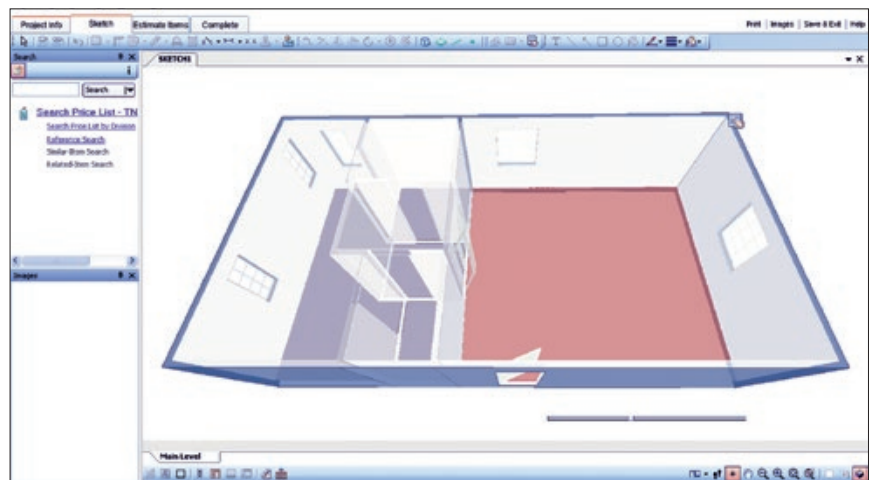

Figure 3. XactRemodel can convert a floor plan to a 3-D model that can be resized and rotated or used to conduct a "virtual walk-through" of the project. Though it's not intended to be a rendering tool, color and texture can be added to help homeowners visualize the finished product.

user to create a list of line items for the work that is to be performed, and to organize it either by phase or room by room. Quantities can be entered manually, or you can automate the process by using a set of drawing tools to create floor plans and elevations (**Figure 2**), even 3-D renderings (**Figure 3, page 39**). If you choose to start with a floor plan, XactRemodel will automatically calculate everything from the sketches, including perimeters, volumes, and floor, wall, and ceiling square footages.

I usually write a project's line-item scope of work in the order the tasks are to be performed. I imagine what needs to be done, from demolition through finish work, starting at the floor and working around the room and up to the ceiling. This gives me a systematic way to pre-

pare a proposal. After I "build" each project in XactRemodel just as I would out in the field, the program provides me with a value for each and every aspect of that work.

Preparing an estimate this way does take some time, but it also allows me to think through every aspect of the project while I am putting together the proposal. In many cases, you can speed up the process by setting up a "macro," which is a kind of template for any scope of work you design. This means you can easily duplicate the scope of work from a previous project that is similar to the current one, and then add or delete line items as necessary.

Custom Pricing

As with any software, the output is only as good as the input. We have found that the XactRemodel cost database is excellent for scoping out small repair and maintenance projects but falls a little short for larger, high-end custom jobs, such as a kitchen or bathroom remodel. For example, the value in the database for painting walls (two coats, labor, and materials) is about 54¢ per square foot. Since most of our remodeling projects are for higher-end clients, we have found that value to be too low for the level of quality we provide. Fortunately, XactRemodel gives you the ability to change any value within the database to fit your company's standard pricing.

You can also adjust pricing for what XactRemodel calls "market conditions." Instead of changing the database price for a given item, which affects global pricing, you can raise or lower the cost of a given item on the fly by adding or subtracting from the database price. This adjustment affects only the project you are working on, so the original database price is available as usual for the next estimate.

XactRemodel has a few other related features. It lets you adjust the markup or margin, either for a given line item or for the entire scope of work. It also calculates sales tax on materials and fixtures, and includes the total in the overall cost breakdown. In addition, myriad customizable reports are available to help you manage and track the progress of a project.

Training

One drawback to using XactRemodel is the steep learning curve: The power of the software and the depth of its capabilities can be intimidating at first. Fortunately, Xactware offers training on all its software products, both in actual classrooms and in online virtual classroom environments. At the company's website (xactware.com), you can see the available options for training. The cost varies depending on the type of course you select; you can expect to pay about $500 for a multi-day training course.

I found the self-paced tutorials to be very helpful, and I also attended some of the online training courses. Once I mastered the interface of XactRemodel, my estimating productivity improved greatly, and I was able to create multiple qualified proposals in a single day. It took me about two months of using the software every day to get to the point where I felt comfortable and had confidence that I was using it efficiently. Currently, I am the only person in my office trained on XactRemodel, but my project manager uses the Scope of Work and Trade Report features daily to track the progress of jobs.

We buy our XactRemodel license one year at a time at a cost of $599 annually; Xactware also provides for monthly subscriptions.

Using XactRemodel has increased the profitability of our company more than 20% in the past two years, mostly because it has shown us the value of the services we are providing — not just the cost of doing the work. If we are charging enough for the services we provide, then we will make a fair profit, which should allow us to stay in business and serve our clients for years to come.

Shawn Van Dyke owns Redbud Construction Services, a licensed general contractor serving the Knoxville, Tenn., area.