

But Are You Making Any Money?

How to job-cost your way to improving the bottom line

by MARLEY MAJCHER

IT'S SUCH A TYPICAL SCENARIO. YOU START YOUR BUSINESS WITH ALL OF THE EXCITEMENT, eagerness and anticipation of a new college graduate. Full of hope and steely resolve, you just know you're going to be a rock star in your new line of work. You've got a great idea, done plenty of research and are loaded with passion, convinced that while you might not be the next Bill Gates, you certainly are going to be flying high in the cash department.

Good-bye greedy boss, it's my turn!

Somewhere along the line the picture fades to a less cheerful shade of gray but you're clueless as to how or when that happened. The long hours you cheerfully used to work are now becoming drudgery. You're sure that you're not making the money you should. In fact, you're scared to even know how little your hourly rate truly is.

The facts would probably be just too depressing: That managerial shift at McDonald's probably pays more than your current entrepreneurial adventure, and with Mickey D's at least you've got a shot at a 401K. In fact, your retirement fund is now long gone—cashed out to cover the short-falls in payroll.

So now what? You're tapped out financially, emotionally and physically. As far as passion goes, it left the building long ago and you could pretty much care less. You are now bitter with baggage, party of one, with no end in sight.

Long ago in my business I was that challenged traveler and I couldn't take it anymore. So, I came up with a solution for myself that has been able to help countless others: job costing. It's not just for big companies anymore.

What is it? Job costing is a process of tracking all of the expenses associated with a particular job or event and will work for any project-based business. (A project is defined as having a specific start and end date.)

But how can you employ the process and get some of that mojo back?

Step 1: Get your latitude and longitude. You've got to know your EXACT coordinates on the financial map before you can make any headway. What does that mean? Determine how much money you make on each project. Work retroactively and analyze two or three of your recent, significant projects. But how?

Step 2: Tally up ALL of the expenses associated with the particular proj-

ect. Make a photocopy of every invoice, receipt, etc., associated with the job you are analyzing and write down each expense. Just tally them up with a pencil and paper or create an Excel spreadsheet. We'll call these obvious expenses "A" expenses. A's are the basic cost of goods-sold expenses that you mark up: i.e., a venue costs \$5,000 and you mark it up to \$6,000. The A expense on your tally sheet would be \$5,000. Your lighting guy charges you \$7,000 and you mark it up to \$9,000. The A expense for your log is \$7,000.

Step 3: Circle back and estimate the *time spent* on the project (not just the obvious expenses found on invoices). Ask yourself how many hours you spent working on a project. Guestimate time spent:

- In face-to-face meetings with the client
 - Via e-mail
 - On the phone
 - Creating proposals
 - Research
 - Follow-up
- We'll call time a "B" expense.

Step 4: Estimate how much time your staff spent working on a particular project. Include:

- On-site time
 - Walkthroughs
 - Research
 - Follow-up
 - Acting as a courier (picking up and delivering to vendors and the client)
 - Closing out the job
 - Chasing the final payment
 - Everything else you can think of that you spent time on
- Staff time is also considered a B expense.

Step 5: Get down to the nitty-gritty. Record all of those little expenses you forgot about but are still part of the job:

- Shipping/couriering of products (linens, invitations, giveaways)

- Rush charges
- Parking fees and auto expenses (reimbursable miles paid to your employees or yourself)
- Client gifts
- Credit card processing charges—yes, that 3 percent is part of the cost of doing this job!

Step 6: Assess. You should now have three groups of expenses: A's (the obvious cost of goods-sold stuff); B's (time: yours and your staff's); and C's (miscellaneous expenses you forgot about or didn't really think counted). Take your total income from the job (without sales tax) and subtract all three expense groups: A's, B's and C's.

Step 7: Repeat this process and get your bottom line profit (or loss) for your last two to three projects.

Step 8: Cry. And then adjust accordingly. If you truly have spent the time wracking your brain and accounting for every single expense, most importantly your time, you really will need a trip to the shrink. But what did the numbers reveal? Where did you get stuck? Did you spend too much time on a project without enough revenue to justify all of that attention? Did your profit margins get eroded by higher than anticipated costs of goods sold? Did you not have a good grasp of how much you spent on those very forgettable C expenses?

Step 9: Reset your course by assigning a job code to every single upcoming project. Create a coding system that works for your company. Just make sure it is simple, easy to communicate to others and can grow with you. At my company, The Party Goddess!, our coding system works as follows. Each job code is five characters:

- One number that corresponds to the year (i.e., jobs in 2008 would start with an 8)
- One letter that corresponds to the month (i.e.: A = January, B = February, C = March)

- Two numbers that correspond to the day the job will occur (i.e., 07 = 7th day of the month, 13 = 13th day of the month)
- One letter that corresponds to the order in which a job was booked. This works for companies that have multiple jobs happening on any given day. For example, a job with a code of 8H15A would tell us that the job happened on August (H) 15th, 2008, and was the first job booked for that day. The A does not correspond to the time of the event, but rather to which client booked a job.

Step 10: Start using the code from the moment you take the first client meeting. If you've prequalified a client enough to start working on a proposal, your job-costing meter has begun to tick. Assign the job code to every expense going forward. Meeting the client at Starbucks to present the proposal or discuss details? Code the coffee receipt. Meeting a vendor for a walkthrough and parking costs \$3? Code the receipt. Having samples shipped? Staff working on research? Code all of the hours and expenses.

How do you know whether an expense is really associated with a particular job? Ask yourself this question: Would I have incurred the expense if it weren't for this job? Would you have run the credit card and incurred the 3 percent merchant fee if you didn't have the job? No? Then code the expense. Would you have gotten the parking ticket at the flower market if it weren't for this client? No? Then code the expense to the job.

Job costing peels back the layers of mystery so you can focus on the specific areas upon which you need to improve.

Ultimately, you might decide that you need to raise your prices, streamline your proposal writing process or just plain walk away from a piece of business altogether.

Because of job costing, you can feel secure that your decision is based on the facts and not just what you perceive to be true. ✨

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