



# How This Homebuilder Is Making \$13k More per Home Despite Supply Chain Issues and Record High Lumber Prices

**OVERVIEW**

**TK Constructors**  
tkconstructors.com  
Muncie, IN

**INDUSTRY**

On-your-lot home construction

**SOLUTIONS**

MarkSystems  
LotVue  
Lasso

**5%**

increase in gross profit margin across-the-board

**1.3M**

fewer variance POs

**\$13,000**

more revenue per house

**THE CHALLENGES**

- Houses and options were priced just before customers purchased them, but building costs would increase before construction began causing low or negative margins on each home built
- Placeholder house and option costs were used instead of inputting full estimates into their ERP which turned out to be an unsustainable practice during market volatility
- Bad data in the system made accurate and useful reporting impossible

**The Bottom Line**

TK Constructors went from risking a devastated bottom line because of rapidly increasing building costs to increasing their margins by 5% and improving the profitability on each house despite unfavorable market conditions.

**THE IMPACT**



**Reduced Variance POs**

Variance POs are reduced by 1.3 million through using cost codes



**Fast Payments**

Payments are made directly off the purchase orders



**Improved Accuracy**

Estimating and pricing are more accurate resulting in higher field rep productivity and healthy margins



**Vendor Transparency**

Vendor scorecard gives them bargaining power with contractors



**Increased Profitability**

Gross profit margin per house has increased 5% and they are making an average of \$13,000 more per house than they did in 2019



SUCCESS STORY

## TK Constructors

### OVERVIEW

TK Constructors  
tkconstructors.com  
Muncie, Indiana

**“Faced with all that 2020-21 had thrown our way, we came together and made our company stand tall while others faltered. With training, data building, and utilization of MarkSystems, we are now ready to ride the next wave.”**

## WINNER

# CUSTOMER EXCELLENCE AWARDS 2022

Who could have imagined the price of framing lumber nearly doubling, gas increasing 48.7%, and supply-chain breakdowns brought on by a global pandemic? Now think about facing these challenges as a homebuilder that presells homes four-to-six months ahead and has only 52 weeks to build them. That was the year 2021 at TK Constructors.

Headquartered in Muncie, Indiana, TK Constructors is one of the Midwest's largest on-your-lot homebuilders, building an estimated 350 homes a year, primarily in the \$300K-\$350K price range.

Given the circumstances above, in April 2021, the homebuilder realized it needed to act or—despite coming off a record sales year—risk a devastated bottom line.



### The Challenge

“With the increases driving house-building costs up, we knew we needed to do something,” says Mary Haskell, TK Constructors Vice President of Operations. “We were estimating each house and options just before customers purchased them. By the time we went to build the house and buy the options, the prices had skyrocketed again.”

TK Constructors Sales and Marketing Vice President Tim Eakins agrees that the process the company had relied on would no longer suffice. “For 30 years, we were putting pricing in manually as houses closed, not inputting costs up-front,” he says. “We would sell a house and hold the cost for the customers. Often it was four to five months before we built the house, so we had to eat the cost increases. We tricked ourselves into thinking this was okay because somehow, we had gotten away with it. But the market volatility in 2020–21 exposed that this would not work moving forward.”

### The Solution

It was time to revamp the way they were doing things, and for this, the TK Constructors team turned to ECI’s MarkSystems, which the company had been using since 2017, but not to its full capacity. The endeavor turned out to be even more of an undertaking than they realized.

“The team had been using placeholder costs but didn’t have the full estimates in the system,” says Mary. “This approach is manageable when costs are relatively stable, but the price volatility that we’re experiencing makes this approach difficult to maintain. You could not go into the system to see how much an option costs to build versus what it sold for. With stable prices, you could make an across-the-board increase of 2% or 3% to maintain margins. However, as an on-your-lot builder, the number of options only grows, so without having the cost details in the system, it becomes unmanageable.”

“So, the first step was running the right reports—seeing whether the problem was the base house or the options. However, based on how data was entered into the system, these reports didn’t provide an accurate picture: garbage in, garbage out. As a result, we moved two staff members to the purchasing department to help clean up the data issue.”

### The Impact

TK Constructors Estimating Coordinator Amber Chew-Block explains what came next: “We determined the most effective way to get in front of new houses was to run a sales pro forma report and highlight all the options that had a price but no cost behind them. Our purchasing





coordinator worked with our estimators to build the material list for the options we were selling. We also built the material list for all 30 of our standard homes. This helped us identify the actual costs of building each of these elevations. Our estimators, who produce our POs, would no longer estimate and enter every house manually. The team has switched gears, and instead of estimating every house, they estimate options before we even make them available to the customer. Also, it is no longer first in, first out for quotes. We can enter the quotes as needed for production. We have analyzed and now perform the work based on critical points in our process.”

The changes have made it easier for the accounting department as well.

“Paying directly off the purchase order has become easier for our accounts payable as the purchase orders are more accurate,” Amber says. “A new administrative position in the purchasing department receives and researches variances to ensure that double and errant payments are not made. Implementing an in-house form for these variances puts the superintendent in the driver’s seat, letting the purchasing administrator know what they have agreed to with a subcontractor, speeding up processing time on the variance, and keeping communication clear. The number of variance POs we used every time the order changed is projected to decrease by 1.3 million from last year.”

Amber says they also implemented the use of cost codes, allowing projects to be broken down by category, such as framing labor vs. framing materials on a PO. They can use these to isolate and extract specific data, such as how much they spent on framing labor alone. “We didn’t know anything about these before; they are a great way to track spending on each house,” she says.

According to Amber, cost codes are just one of the things they learned by being proactive and taking ECI’s Purchasing 101 class. “The class gave us further insights and a different view of the amazing things that can be done in the system with just a few keystrokes,” she says. “Many on the team also attended in-house training on report writing to push the business to the next level.”

And price increases?

“When the costs for material or labor go up, we enter it, and everything is updated so when we create a PO, the correct price is filled in automatically,” Amber says. “It’s been a game changer and a time saver. It used to take me two POs per house. Using the Update Purchase Orders utility has made what used to be a massive undertaking into a short, sweet, and to-the-point process. Before this, cost increases would be recognized on the variance purchase order as it took too long to redo all the purchase



orders. Now when one supplier changes pricing, it's a few clicks. The system does the work and saves us about 20 hours a week of work."

MarkSystems' Vendor Portal is another TK Constructors' favorite.

"The purchasing coordinator is now able to create a scorecard for our regional directors to review before they go into a meeting with subcontractors," Amber explains. "It includes information pertaining to their scope of work, such as average rate of pay, date of last price increase, and how much our company has in open purchase orders, as well as what we spent with them in the last 12 months. We are feeling the bargaining power that the vendor scorecard gives us as costs rise. Also, we now have the material list and labor charges, and if the subcontractor has to drive three hours with a crew and stay three days, we can build that travel in ahead of time."

According to Mary, the vendor portal helps the company maintain its good reputation. "We pride ourselves in paying our vendors as soon as their work is done," she says. "Through the vendor portal, they can see when the check is ready."

Tim says MarkSystems makes his job easier—and more profitable. "It allows us to accurately price the houses," he says. "We have a better idea of the costs up-front. We can't anticipate everything in the current market, so there is still some speculation, but it helps. It makes our job a lot easier when they are priced appropriately."

Amber believes MarkSystems saves field reps' time. "It's helped our field reps be more productive, she says. "Before, the purchase orders would have been inaccurate in the pricing of cabinets and flooring. We would have to add a variance to the PO once we received a quote. Due to the boom of houses, the quoting would fall behind because it was just so much work for each house. With the new processes, we can enter the quotes more efficiently and have them ready when the cabinet delivery and floor installation is scheduled."

According to Amber, the sales pro forma report has also helped improve the contract review process. "The report signals if new options need to be created and tells us immediately what margins we stand to make on each option added to a new home," she says.



### Ready for the next wave

Mary says scheduling is an area they are starting to focus on more. "Our houses can be sold five to seven months out," she says. "We use it for some scheduling, but we could be better at it. Scheduling and colors—using data from MarkSystems to identify which colors are our top sellers and which we may not continue to offer—are what we plan to focus on moving forward."

Moving forward won't be a problem judging by what the team has accomplished so far.

"The impact of using MarkSystems so far has been like a stone dropped into a still body of water," Amber says. "The changes we made began to ripple into all areas of our company. Now upper management can review reports that reflect in real-time what is happening in the field. We no longer wait to autopsy each home to see what was made after the fact. We are projecting and monitoring daily. Capturing and comparing costs month over month with selling prices gives us a firm understanding of margin erosion. In the last year, we have increased our gross profit margin by 5% and, on average, are profiting more than \$13,000 per house than we did in 2019.

"The fires are out, but the market is still not stable. We aren't masking as heavily, but the number of folks building new homes has slowed down. But for our team, the last year has been one of growth. Faced with all that 2020-21 had thrown our way, we came together and made our company stand tall while others faltered. With training, data building, and utilization of MarkSystems, we are now ready to ride the next wave."

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