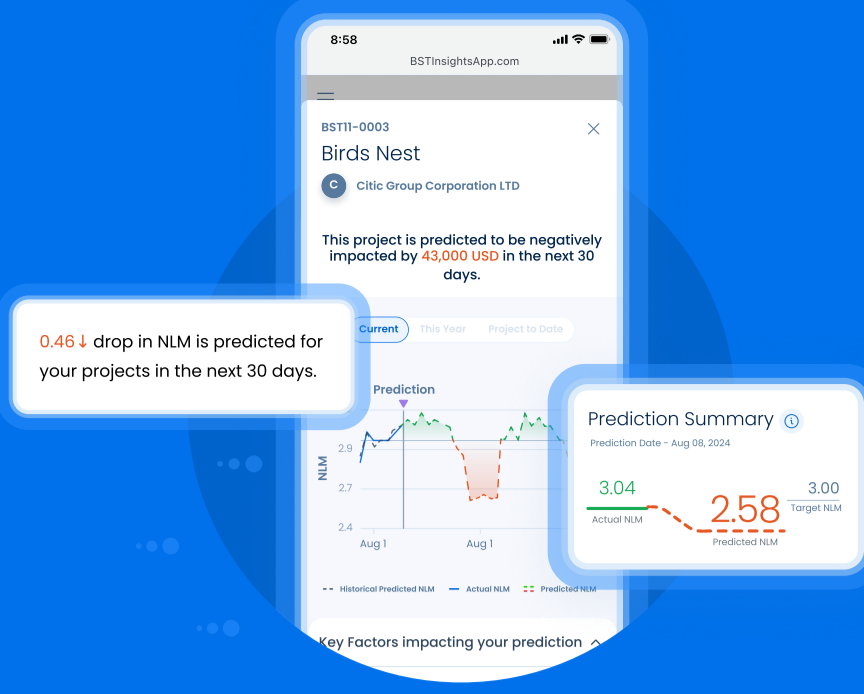


NLM: The Most Important KPI

When it comes to project profitability, AEC firms usually focus on gross profit margin (GPM) and for good reason. GPM provides a simplified snapshot of project health. However, it doesn't show how labor cost — one of the largest expenses for any project — is affecting project outcomes. That's why firms should also be tracking net labor multiplier (NLM).

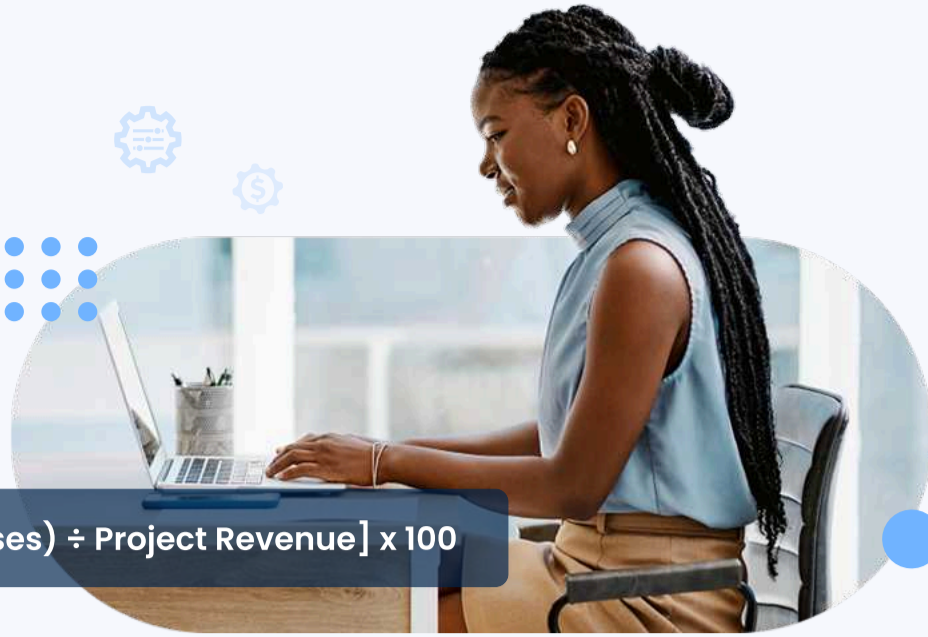
NLM helps firms better understand the relationship between their most valuable asset (labor) and their bottom line. Keep reading to learn why NLM is one of the best indicators of project health and profitability and how to start using it to your advantage.



Gross Profit Margin

GPM is the percentage of profit earned from a project's total revenue, calculated using the following formula:

$$[(\text{Project Revenue} - \text{Direct Project Expenses}) \div \text{Project Revenue}] \times 100$$



In Other Words:

GPM shows how profitable a project is overall.

Net Labor Multiplier

NLM is the amount of revenue earned for every dollar spent on labor, calculated using the following formula:

$$(\text{Project Revenue} - \text{Non-Labor Project Expenses}) \div \text{Labor Cost}$$



In Other Words:

NLM shows how efficiently labor contributes to the profit earned from a project.

Both Important Profitability Metrics

PROJECT ABC

- Total billed to client: **\$100M**
- Labor Cost: **\$60M**
- Project Expenses: **\$30M**

GPM

10% of the total billed to deliver the project is net profit.

$$[(100 - 90) \div 100] \times 100 = 10\%$$

NLM

Every dollar spent on labor earns \$1.17 in project revenue.

$$(100 - 30) \div 60 = 1.17$$

Target NLM for AEC Projects = 2.75–3.25

↓ Low NLM Tells You:

Labor cost may be too high due to poor utilization, underperformance or over-resourcing

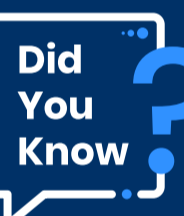
Project delivery price may be too low in relation to the labor required



↑ Increase NLM By:

Re-allocating more costly labor resources to projects that require them and billing appropriately for their expertise

Increasing the overall price of project delivery to better offset the cost of labor required



NLM can be an indicator of your firm's profitability as a whole. A company is considered profitable if its overall NLM is greater than its breakeven rate.

NLM as Profit Predictor

By applying AI-powered, predictive analytics to ERP data to track NLM and other metrics throughout the lifecycle of a project, our patent-pending data solution, BST Insights, allows teams to:

- Anticipate profitability
- Identify inefficiencies
- Optimize performance

EH Evan Hall

Evan Hall charged 23.5 hours with a multiplier of 1.63 impacting your project by 6,957.43 USD.



SH Sheila Hammond

Sheila Hammond has write-offs negatively impacting your project by 3,579.37 USD.



BST Insights enables AEC firms to align labor efficiency (**NLM**) with overall project profitability (**GPM**), which, in turn, helps them optimize labor allocation, improve resource management and maximize revenue.

Your Data + BST Insights = Profit

Focus on Labor Efficiency

Shifting from a broad focus on overall profitability (GPM) to a more targeted view of labor performance (NLM) gives you a deeper understanding of one of the most significant factors affecting project performance.

Make Better Decisions

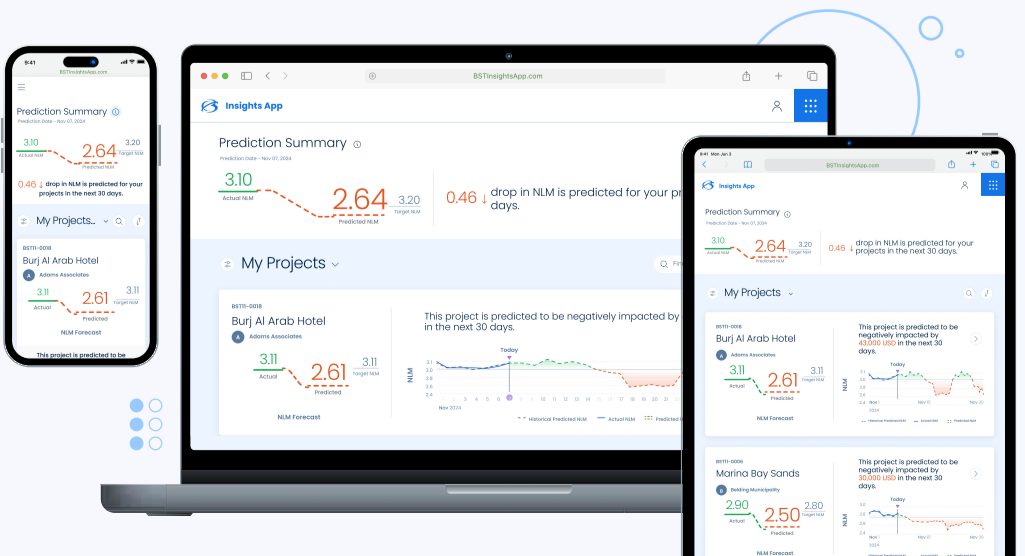
Tracking NLM with BST Insights helps you empower your data, allowing you to spot labor inefficiencies in real time and adjust resource allocations for better project outcomes.

Achieve Profit Intelligence

By integrating BST Insights with your ERP solution, you can predict project outcomes and course correct to improve project health and ultimately increase profits for the firm overall.

Zero Change, Zero Conversion

BST Insights is designed to complement your current ERP system, so there's no conversion, change management or additional data entry required to experience the power of prediction!



Empower Your Project Teams With BST Insights

Want to know more about how our patent-pending, AI-powered data solution can help you boost profitability, improve labor efficiency and optimize project performance? [Request a demo](#) today!