
Contractor Profit Leak Diagnostic™

A Pricing & Margin Control Framework for Residential Contractors

Many contractors discover profit leaks they didn't know existed — this diagnostic reveals them in minutes.

Find the hidden pricing mistakes that quietly drain profit from jobs.

Prepared by
P4 One LLC

How to Use This Diagnostic

Check every statement that is true for your business **right now**.

This is not a judgment — it's a structural scan.

The goal is to expose the pricing failures that force contractors into discounting, negotiation, and cash-flow stress.

Scoring

- **0–2 checks** — Strong structure. Tighten your weakest area.
 - **3–6 checks** — You have preventable profit leakage. Fixing structure will raise price confidence quickly.
 - **7+ checks** — You are likely underpricing or absorbing hidden costs. You need a system, not tweaks.
 - Most contractors discover multiple leaks the first time they run this diagnostic.
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The 7 Structural Profit Leaks™

Each leak includes four indicators to help identify where margin may be quietly leaking from jobs.

LEAK 1

Labor Burden Is Inaccurate

- You price labor using wage only, without taxes, comp, benefits, PTO, or unbillable time.
 - Your labor rate changes job-to-job because it isn't anchored to a fully burdened number.
 - You don't know your true billable hours per tech per week.
 - You can't state your fully burdened labor rate within 10 seconds.
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LEAK 2

Overhead Is Guessed, Not Engineered

- You use a flat percent (like 'add 10%') instead of allocating overhead per labor hour or job type.
 - You can't clearly explain your monthly overhead without looking it up.
 - Your pricing doesn't change when rent, fuel, insurance, or admin costs rise.
 - You don't know your overhead cost per billable hour.
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LEAK 3

Profit Isn't Engineered Into the Price

- Profit is whatever is left over instead of built into the price.
 - You don't have different target margins for service, installs, and remodels.
 - You rarely review estimated vs. actual profit after jobs.
 - You don't know your minimum acceptable margin for any job type.
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LEAK 4

Change Orders Bleed Margin

- Changes are priced verbally or "we'll figure it out later."
 - You don't have a written change order template with pricing and signature.
 - You undercharge changes because you don't reapply burden + overhead + profit.
 - You don't track how many change orders go unbilled each month.
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LEAK 5

Payment Terms Are Weak

- You start work with little or no deposit, or you wait too long to bill.
- You don't have milestone-based payments tied to progress.

- You allow slow payers to control your cash flow.
 - You don't have a written payment schedule in every proposal.
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LEAK 6

Proposals Invite Negotiation

- Your estimates look like line-item shopping lists that trigger price comparisons.
 - Your scope isn't structured (assumptions, exclusions, timeline, terms).
 - Your presentation doesn't match the price you want to charge.
 - You don't use a summary-first proposal format that frames value before price.
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LEAK 7

You Don't Track the Leaks

- You don't track estimated vs. actual labor hours consistently.
 - You don't track material variance (waste, missing parts, last-minute buys).
 - You don't have a weekly review rhythm to correct pricing errors.
 - You don't have a dashboard showing margin trends over time.
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What to Do Next

Pick the leak costing you the most and fix it first.

Most contractors try to “sell harder” instead of tightening structure — but structure creates authority, and authority creates price tolerance.

Your Next 7 Days

- Calculate your fully burdened labor rate (wage + taxes + comp + benefits + non-billable).
 - Write down your monthly overhead and divide by realistic billable hours.
 - Set a target profit % for each job type.
 - Create a one-page change order template and use it every time.
 - Switch to deposit + milestone payments on all new work.
 - Build a weekly review rhythm (labor variance, material variance, margin).
 - Update your proposal format to a summary-first, authority-based layout.
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What Most Contractors Discover

After running this diagnostic, many contractors realize that their profit problems are not caused by lack of work.

They are caused by small structural weaknesses in pricing, proposals, and payment terms.

When those structures are corrected, contractors often notice:

- stronger margins
- less price negotiation
- more predictable cash flow
- greater confidence in estimates

The next step is installing a pricing structure that protects margin.

Why Most Contractors Underprice Jobs

Most contractors do not lose money because they lack work.

They lose money because their pricing structure is incomplete.

Common causes include:

- Labor burden calculated incorrectly
- Overhead not allocated properly
- Profit not engineered into pricing
- Change orders handled informally
- Payment terms that weaken cash flow
- Proposals that invite negotiation

These issues are rarely caused by poor workmanship.

They are structural problems inside the business system.

When pricing structure is corrected, contractors often see:

- stronger profit margins
- fewer price negotiations
- more predictable cash flow
- better control of projects

Contractor Authority System™

This diagnostic identifies where profit leaks exist.

The **Contractor Authority System™** provides the full framework to correct them.

If this diagnostic revealed profit leaks in your business,

the next step is installing the system that fixes them.

The Contractor Authority System™ includes:

- Pricing Control Engine
- Change Order Protection System
- Annual Capacity Planner
- Margin Leak Tracker
- Professional Proposal Templates
- AI Operations Toolkit

The system helps contractors install:

- structured pricing
- change order protection
- stronger payment terms
- authority-based proposals
- margin tracking

Many contractors begin with this diagnostic, then install the full system to protect margins long-term.

Preventing just one underpriced job can often pay for the entire system.

Learn more:

authority.p4one.com

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If you know another contractor who might be underpricing jobs, feel free to share this diagnostic.
