THE PROFIT PLAYBOOK

For Home Service Pros

Relay

Julie Babcock-Hyde, CPA

This guide is based on the insights and practical advice of Julie Babcock-Hyde, CPA. Julie and her Spark Accounting Solutions team specialize in serving home service business owners by providing clear guidance on increasing profits and cash flow.

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This ebook is brought to you by Relay, the all-in-one online banking and money management company that helps small businesses get crystal clear on their cash flow. Relay centralizes day-to-day banking, receipt management, accounts payable and big-picture cash flow management into one seamless platform.

YOU DESERVE MORE THAN JUST A PAYCHECK

Most home service business owners didn't start with a goal of staying small. Maybe the business began with just you and your tools. Maybe it grew faster than expected. But somewhere along the way, it's common to hit a point where the business is busy, the days are full, and yet the numbers still don't add up the way they should. The work is getting done—but the profit just isn't there.

That disconnect isn't a sign that something's wrong. It's a sign that the business has hit a new stage, and that it's time to start running things differently. Staying profitable, paying yourself consistently, and building something that can grow without burning you out takes more than just showing up and working hard. It takes the right systems, smart pricing, and a financial setup that gives you real clarity.

The good news? These are all things you can control. You don't need an MBA, a finance degree, or a 10-person back office to run a profitable business—you just need the right information, a few practical tools, and a willingness to think differently about how your business makes and manages money.

That's what this guide is here to give you. From pricing to profitability to owner's pay, it's designed to help you take back control of your cash flow, earn more from the work you're already doing, and start building a business that actually works for you—not the other way around.

PRICING FOR PROFIT (NOT PANIC)

Pricing is one of the most powerful levers in your business—and one of the easiest to get wrong.

Many home service pros set prices based on gut feel, competitor research, or whatever "seems fair." And while those instincts come from a good place, they're not designed to build a profitable, sustainable business. They're designed to keep the phone ringing.

But if you want to pay yourself well and build a business with staying power, your pricing has to work on paper—not just in the market. Here's how to make sure it does.

What not to do

Let's start by ditching the habits that quietly sabotage your bottom line:

- **DON'T COPY COMPETITORS' PRICING**
  You don't know their costs, margins, or goals—and you definitely don't know if they're profitable. Price based on your numbers, not theirs.

- **DON'T DELAY PRICE INCREASES**
  If you give your team a raise (or even want to), your prices need to rise too. Every year you delay a price bump, your margins shrink.

- **DON'T GUESS AT YOUR MARGINS**
  If you don't know your gross profit per job, you're operating blind. You might be breaking even—or losing money—and not even realize it.

Instead: Anchor Your Pricing to the Business You Want to Build

Your pricing should do three things:

- Cover your direct costs (labor, materials, subcontractors)
- Leave enough gross profit to pay overhead and yourself
- Support annual raises, reinvestment, and healthy margins

Here's a simple checklist to work through when reviewing your pricing:

Pricing Check-In: A Quick Self-Audit

Ask yourself:

- Am I building in enough margin to pay myself consistently?
- Can I give my team raises without shrinking my profit?
- Have I accounted for rising material costs or labor rates?
- Do I review pricing at least once a year (ideally more)?
- Does each job type have a standardized price, or am I quoting on instinct?

If you answered "no" to more than one of these, it's time to revisit your pricing strategy.

“DO I REALLY NEED TO RAISE MY PRICES EVERY YEAR?”

Yes—if your costs go up, your prices need to go up too.

That’s how you protect your margins.
Even small annual increases (3–5%) can:

- Keep pace with inflation and wage growth
- Send a signal that your work is high quality and professional
- Prevent the need for big, uncomfortable hikes down the road

Remember: you’re not just pricing to win the job, you’re pricing to run the business.

THE 3 NUMBERS EVERY OWNER NEEDS TO TRACK

You don't need to be an accountant to run a profitable business, but you do need to track the right numbers.

Most business owners check the bank account and hope for the best. And while bank balance awareness is a real thing (and better than nothing), it won't tell you what's actually working—or what's starting to slip beneath the surface.

That's where these three simple metrics come in. They don't require spreadsheets or special tools. But they give you a clear, honest look at how your business is performing—and how confident you can feel about making key decisions.

Gross profit margin 1

WHAT IT IS:
The percentage of revenue left after covering direct job costs like materials, labor, and subcontractors—before overhead or owner's pay.

WHY IT MATTERS:
This tells you whether your jobs are profitable. If this number is off, everything else will be too.

HOW TO CALCULATE IT:
(Revenue − Direct Costs) ÷ Revenue = Gross Profit Margin

WHAT TO AIM FOR:
A healthy range is typically 40–65%, depending on your trade, pricing model, and crew size. But what matters most is the direction it's moving—up means you're keeping more of what you earn.

Owner's pay percentage 2

WHAT IT IS:
The portion of revenue that ends up in your pocket—through salary, draws, or business-covered personal expenses like vehicle or phone.

WHY IT MATTERS:
If your business isn't paying you, something's not working. Tracking this number helps you see how well the business is supporting your income, and how far you are from your financial goals.

HOW TO CALCULATE IT:
(Total Owner Compensation ÷ Total Revenue) × 100

WHAT TO AIM FOR:
Many owner-operators fall between 30–50%, depending on business size and stage. There's no one right number, but there is a right direction. If it's not improving, it's time to rework your model.

Cash flow coverage 3

WHAT IT IS:
A simple way to measure how long your business could keep running if revenue stopped tomorrow.

WHY IT MATTERS:
Cash flow gaps are one of the top reasons businesses struggle. This metric helps you understand how resilient your business is, and how much of a buffer you have.

HOW TO CALCULATE IT:
Total Available Cash ÷ Average Monthly Expenses
= Months of Coverage

WHAT TO AIM FOR:
Three months is a strong target, but many businesses start closer to one. The goal is steady improvement, so you can weather a slow season or make a big move without stress.

Quick recap: What to track and why

Metric	What It Tells You	Target Range
Gross Profit Margin	Whether your jobs are profitable	40–65%
Owner's Pay %	How well your business is paying you	30–50% (varies)
Cash Flow Coverage	How long you could survive without revenue	3 months is ideal

Track progress—not perfection

You don't need to hit every benchmark right away. These numbers are guideposts, not grades. What matters most is that you're paying attention to them regularly. Over time, they'll help you make better decisions, spot issues early, and build a business that actually supports the life you want to live.

HIRING, EQUIPMENT, AND GROWTH—WITHOUT LOSING CONTROL

Most home service pros want to grow. But growth without planning is just expensive chaos.

Adding a new truck, hiring another tech, investing in software—it all feels like progress. But if those decisions aren't backed by profit and cash flow, they can leave you worse off than before. More overhead. More stress. Less pay.

The goal isn't just to grow, it's to grow in a way that protects your profit and keeps your business strong. Here's how to do that.

Before you buy or hire, run the numbers

You don't need a spreadsheet or a CFO, just a clear answer to two simple questions:

- **Can the business afford this today, without relying on new revenue?** If the answer's no, you're betting on growth you haven't earned yet.
- **Will this decision help increase profit, or just increase activity?** More jobs don't always mean more money. In fact, they can reduce profit if you're underpricing or overpaying.

One simple tactic: act as if you've already made the investment. Set aside the cost of that new truck, that new hire, or that new software tool for a few months. If you can do that without sweating payroll or eating into your own pay, you're likely ready.

Pressure-test big moves against cash flow

Cash flow coverage—the number of months your business could survive without new revenue—is a built-in stress test. The lower your coverage, the more risk you take on when you spend.

Think of it like your runway. The longer it is, the more confident you can be in taking off.

Before adding overhead, aim for at least 2–3 months of cash flow coverage. That gives you breathing room to onboard, train, or adapt if things don't go exactly to plan.

Don't scale problems, fix them first

If your margins are thin or your pricing is inconsistent, adding volume will just multiply the problem. You'll work harder, spend more—and still feel squeezed.

Instead of rushing to grow, focus on tightening up the model you already have:

- Standardize pricing per job type
- Review job-level profitability
- Streamline scheduling and dispatch
- Shore up systems that save you time

Growth should feel like freedom, not just a bigger burden.

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THE 5 KEY PROFIT DRIVERS (AND HOW TO USE THEM)

There are only a handful of levers that actually drive profit in a home service business. Get these right, and everything else becomes easier—your pay, your decisions, your peace of mind.

These five drivers work together. Strengthen even one, and you'll start to see results. Strengthen all five, and you'll have a business that's not just busy, but reliably profitable. Here's what to focus on.

Price 1

What you charge for your work.

Even small price changes can have a big impact on your bottom line. But most business owners underprice their services—either to stay competitive or because they don't know their margins.

TRY THIS:

- Review your pricing per service type
- Compare against your direct costs (materials, labor, subs)
- If your margins are below 40%, start adjusting upward
- Raise prices 3–5% yearly to keep pace with wage and cost increases

Volume 2

How many jobs you do.

Volume is a double-edged sword. It can drive more revenue—or just more stress. Make sure you're filling your schedule with profitable work, not just staying busy.

TRY THIS:

- Identify your most profitable job types
- Build your schedule around those
- Say no to low-margin work that drains time or team capacity

Cost of goods sold (COGS) 3

The direct costs required to complete each job.

COGS includes materials, subcontractors, and wages for field staff. Every dollar you save here goes straight to your gross profit.

TRY THIS:

- Negotiate better material rates or standardize suppliers
- Set target labor hours per job and track against them
- Monitor scope creep—extra work that eats into margin

Overhead 4

Your fixed costs—everything it takes to keep the business running.

Overhead isn't evil, but it needs to be monitored. If you add office staff, software, vehicles, or rent without adding profit, you're just scaling your expenses.

TRY THIS:

- Categorize your overhead and track it monthly
- Flag anything that isn't supporting revenue or efficiency
- Set a monthly budget for overhead and revisit it quarterly

Retention 5

How long you keep customers, team members, and revenue streams.

Retention is the driver most owners overlook, but it's a game-changer. Happy customers and reliable team members reduce churn, training costs, and marketing spend.

TRY THIS:

- Follow up with past customers and offer maintenance plans
- Document your processes to make onboarding smoother
- Build a team culture that makes people want to stick around

Quick self-audit: Where are you leaving profit on the table?

For each driver, rate yourself from 1–5: Focus on your lowest-scoring area first.
Small tweaks can make a big difference.

Driver	My Score	Notes / Action Step
Price		EX: HAVEN'T RAISED PRICES IN 2 YEARS
Volume		EX: TOO MANY LOW-MARGIN JOBS
COGS		EX: LABOR HOURS PER JOB ARE INCONSISTENT
Overhead		EX: SUBSCRIPTIONS PILING UP
Retention		EX: TECH TURNOVER IS HIGH

PROFIT IS A PRACTICE

A home service business should support your life—not take it over.

But for that to happen, profit can't be an afterthought. It has to be something you build on purpose. Not by taking on more jobs or cutting corners, but by getting clear on your numbers, charging what the work is worth, and making confident, informed decisions.

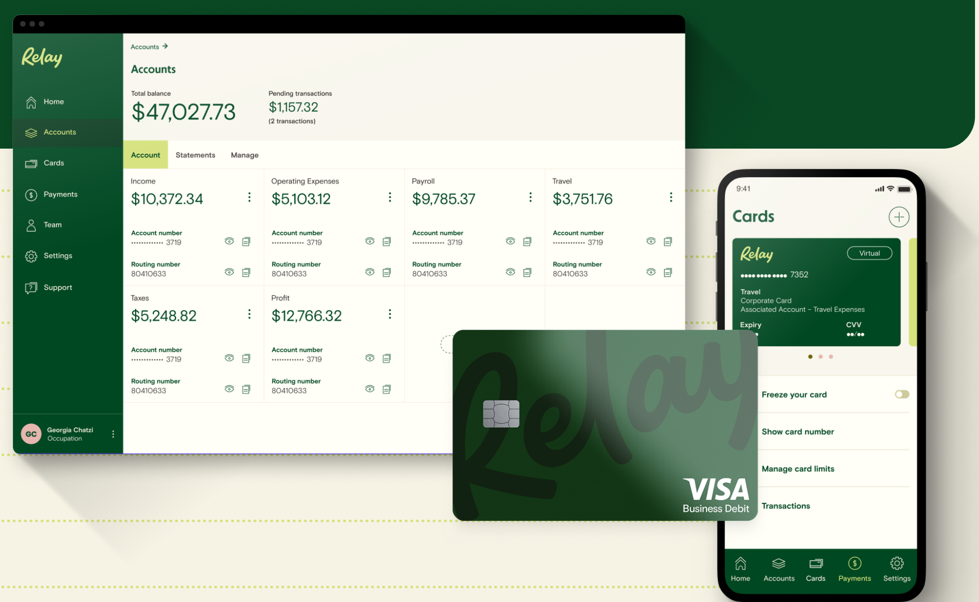
The steps aren't complicated, but they do take consistency. And the sooner you start, the more room you'll create; to pay yourself more, to invest in your team, to take a breath.

Because the goal isn't just more growth. It's a business that actually works for you.

GET THE TOOL THAT ENABLES CASH FLOW CLARITY

Running a profitable home service business isn't just about landing more jobs—it's about knowing where your money's going, staying on top of expenses, and keeping your cash flow steady. That's why more and more home service pros are turning to Relay, the banking platform built to keep your money organized and your team moving.

Talk to a Relay Advisor



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