



Increasing Profitability

Profits sustain your business and put you in a position to keep growing. Increasing profitability provides more flexibility and cash to support your business along its path to success.

1. Expense Monitoring - How often do you monitor expenses?

Categorize expenses. Ensure that each expense is clearly identified and grouped with similar expenses. You will then be able to pinpoint expense areas and trends to find opportunities for expense control.

Identify strategic and non-strategic costs. Strategic costs are items that make or save the most money for your business, like skilled craftspeople or high-quality product inputs. Non-strategic costs are not directly linked to the quality, customer service or features that give you a competitive edge. Target non-strategic costs for expense savings.

Monitoring and Controlling Expenses

Find out how to identify and track the major types of expenses and cut costs.

Top 5 Hidden Costs of Running Your Own Business

Learn about some business costs you might not be tracking.

2. Expense Reduction/Control - To cut costs, do you work to improve business processes and negotiate terms with vendors?

Improve processes and raise productivity. Document work processes to identify cost savings options. Think creatively about changes and tweaks - like streamlining steps or automating tasks - that can reduce costs while boosting productivity.

Negotiate payment discounts and utilize competitive bidding for vendors.

Early payment discounts - typically in the 1-2% range - will shave costs off your supply expense immediately. Putting purchases out for competitive bidding offers savings on the initial purchase as well as on an ongoing basis. If accepted by the vendor, consider using business credit cards for payment which will extend the payable for 30 days in some cases, while still getting the discount.

Twelve Ways to Improve Cash Flow by Controlling Expenses

Review how cost cutting and budgeting practices enable a business to control expenses.

9 Ways to Save Cash for Your Business

A handy list of ways to cut business costs.

5 Ways to Save that Business Owners Often Overlook

Easy savings ideas you might not have been aware of.

3. Competitive Pricing – Do you check your competitors’ prices and marketing messages to see how you compare with them?

Gather competitive insights. Talk to your customers and industry experts to get a perspective on competitors and their products. Customers can provide insight into buying decisions and product comparisons. Industry experts can provide studies and research identifying trends and gaps in the industry, as well as competitor behavior which can be used to your advantage when planning your business strategy, product positioning and sales messaging.

Rethink pricing. Link the value of your product to your pricing. Understand the value your product/service provides to customers then set prices accordingly. Take into consideration cost and competitive pricing to market your business attractively to customers.

Five Ways to Raise Your Prices and Improve Your Profit Margins

Raise prices to improve profit margins.

Using Pricing to Drive Profit Margins

Develop a pricing strategy using product knowledge and customer value.

Pricing for Profitability Guide

Capture the full value of your products and services.

4. Budgeting – Do you have a budget and review it often?

Create a budget baseline. Use historical data to make an informed forecast reflecting your business strategy and future priorities. Most small business financial management software packages have budget modules that help you plan.

Track revenues and expenses regularly. By creating financial reports that relate expenditures to sales and revenues, you can better identify which parts of your business operations are profitable. Financial reports can also help you understand if your expenses are justified and reveal opportunities for savings – which can further add to your profits. With reporting, you can also detect changing patterns in your revenue or expenses and make proactive business adjustments.

Managing Expenses Without Sacrificing Growth

Improve profitability by managing expenses.

How to Set Up and Maintain a Budget for Your Small Business

Learn common budget formats and get tips for creating a budget.

Budget Considerations for Small Businesses

A guide that explains what to keep in mind when putting together a budget.

5. Segmentation – Do you track your profitability by customer and/or product types?

Assign direct costs to customers and jobs. If you already have the data necessary on hand – simply revise how cost data is gathered to assign direct costs to jobs and customers. This process allows you to assess profit margins on specific customers, products and services.

Target marketing/sales strategies for efficiency. Once highly profitable segments are identified, marketing and sales resources can be directed more efficiently and effectively, eliminating or pruning back unprofitable products and/or customers.

From the Expert: Understanding Focus

Identify your target market to clarify your company’s goals and objective.

5 Questions to Ask When Focusing on Your Target Market

Steps to identifying your target market.

Segmenting Your Markets Guide

Better understand your most profitable customers, products and locations.

6. Owner Productivity – What % of time do you spend on activities that create the most business value?

Find where you create the most value. Complete a strategic assessment of the activities that you should focus on each day to have the greatest impact on the business. Identify the top areas and build a plan that keeps you doing those things every day.

Increase your effectiveness. Use a daily activity guide to measure your progress. Written activity plans that focus on the distinction between hard deadlines and work that would be “nice” to complete today will help balance operations, sales and administrative tasks. Keep a log of your time for a week and review for activities that drive profit. Focus your activities on the profitable tasks, delegating necessary, but less critical tasks, to others.

Owner Productivity Guide

Find out how to focus on the most important tasks and delegate efficiently.

Time is Money: Are You Working Efficiently?

Time is the most valuable resource – manage yours well and it could yield great benefits for your business.

How to Become More Efficient on the Job

Learn strategies to run your business more efficiently.

Take Your Business to the Next Level

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