Why is expense control important?

Controlling expenses is one of the most direct paths to increased profitability. Keeping routine expenses in check with a monthly budget and periodically conducting a thorough cost review provides the expense discipline that can underpin a company’s success.

Key actions to take:

• **Conduct a detailed cost review:** Which expenses are fixed versus variable? Which are revenue generators? Knowing which expenses generate income will help you drive additional revenue during high sales cycles and reduce expenses during low sales cycles. The key to cutting costs without sacrificing service quality and profit margins is to know the difference between “strategic” and “nonstrategic” costs. During your cost review, identify the spending that is strategic to your business and then try to aggressively cut non-strategic costs. Strategic costs are the things that make or save the most money for your business. (For example, strategic costs to a leather briefcase maker may be high quality rawhide and skilled craftspeople.) As a business owner, you should understand your strategic costs and protect them from cuts. Unless something is directly linked to quality, customer service, new sales or a feature that gives you a competitive edge, consider it non-strategic/overhead. Target overhead and non-strategic expenses for expense savings.

• **Reduce supplier costs through competitive bids and payment discounts:** While strong supplier relationships offer many advantages, competitive bidding is often the proven way to ensure you have the best price. Bidding discipline helps both at time of initial purchase and on an ongoing basis. A price increase from a supplier is the perfect time to seek competitive bids. Even telling a supplier you are considering putting work out to bid can generate cost-saving ideas. Trade groups or industry associations sometimes have negotiated group discounts that would be available to you as a member. In addition, many vendors still offer a discount for quick payments — 10 days is the norm and discounts usually range from 1-2%. You may be able to pay by card, extend the payable by 30 days and in some cases, still get the discount. Review your vendor list at least annually and ask for their discounted terms.
• **Improve processes and raise productivity**: Reducing overhead expenses can provide immediate cost savings, but process improvement and productivity boosts can produce fundamental changes in cost structure. While rethinking processes requires creativity, open-mindedness and analytical rigor, the good news is that it doesn’t necessarily require large investments and may even identify some fast savings. Actions as simple as creating an organizational chart, writing clear job descriptions, documenting work processes and measuring performance can yield significant gains and leverage an owner’s time. Productivity improvements can also come from systematizing or automating tasks.

• **Use automated expense controls for employees**: Set approval levels by expense category and employee for all purchases. An approval process ensures that you, as owner, have more visibility into transactions before they happen. Many debit and credit cards have options that allow you to restrict employee purchases. Not only will you get upfront controls, but the bonus will be purchase transaction data that you can use to analyze and develop new ways to save.

• **Track progress against goals and budget**: Know how much you can afford to spend on every expense category, and track actuals against budget and previous year numbers. Generate a cash flow statement, income statement and other profitability and budget reports at least monthly.

### How SunTrust can help

Controlling expenses increases profitability. SunTrust solutions can help busy business owners track and manage expenses.

A **SunTrust Business Credit Card** is easy to use for point of sale purchases, and monthly billing improves cash flow. You can use our web-based tool, **SunTrust Business Card Online**, to manage employee spending limits, track card usage and add or replace employee cards. Additional reports will help you track and manage your business spending and provide valuable transaction history.

Managing cash flow is easier with **Online Bill Pay**. Whether paying suppliers and vendors or handling daily business operations expenses, this helpful feature within SunTrust Business Online and the Business Mobile app is a secure and efficient way to manage your company’s payments.

Link your SunTrust account with your financial software using **SunTrust Direct Connect**. SunTrust Direct Connect syncs with QuickBooks® accounting software to integrate your SunTrust bank account information, pay bills and download transactions. With SunTrust Direct Connect, you can avoid double entry of transactions and spend less time managing your accounts and more time on your business.

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1 SunTrust conducted research with 397 small business owners ranging from $100,000 to $2,000,000 in annual revenue in the first quarter of 2017. The high-growth segment was derived from the fastest growing twenty percent of those companies.
2 All business credit cards are subject to credit approval.
3 Additional charges may apply. See the Business Online Fee Schedule for details at www.suntrust.com/businessonline.
4 Additional terms and fees apply.

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