

Thriving in uncertainty in the age of digital disruption

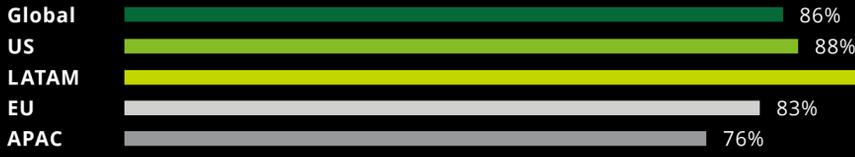
Cost management insights from 1,000+ senior executives around the globe

In this rapidly changing global business environment—where cost is a true strategic differentiator—Deloitte’s first global cost management survey report provides an inside look at the practices and trends currently shaping the future of business, with detailed insights from more than 1,000 C-level executives and senior management in four major regions: the United States (US), Latin America (LATAM), Europe (EU), and Asia Pacific (APAC).

Cost reduction is a global imperative

Most (86%) respondents globally are likely to undertake cost reduction initiatives in the next 24 months.

Likely to undertake cost reduction initiatives



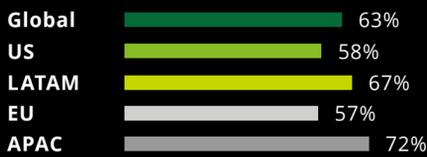
In the face of planned cost reductions, organizations still have high expectations for growth

80% of respondents globally expect their company’s revenues to increase over the next 24 months (6% higher than respondents who indicated their revenue actually increased over the past 24 months).

Many organizations fail to meet low targets

Nearly half (45%) of all respondents globally indicated pursuing cost reduction targets of less than 10%, but almost two-thirds (63%) of all respondents reported failure to meet their target.

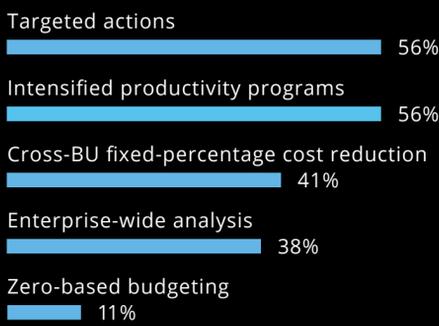
Failure to meet cost reduction targets



Drivers of cost reduction (Global averages)



Approaches to manage costs over next 24 months



Despite implementation challenges, tactical cost actions remain predominant

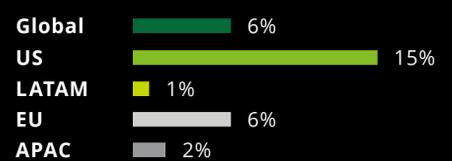
40% of respondents globally continue to rely on tactical cost actions, such as streamlining business processes and reducing external spend.

33% of respondents globally rely on strategic cost actions, such as outsourcing, centralization, and business reconfiguration.

Vast majority of companies just starting to recognize impact of digital technologies

Only 6% of respondents globally view digital disruption as a top external risk, but that could change very quickly given the exponential speed and impact of digital technologies.

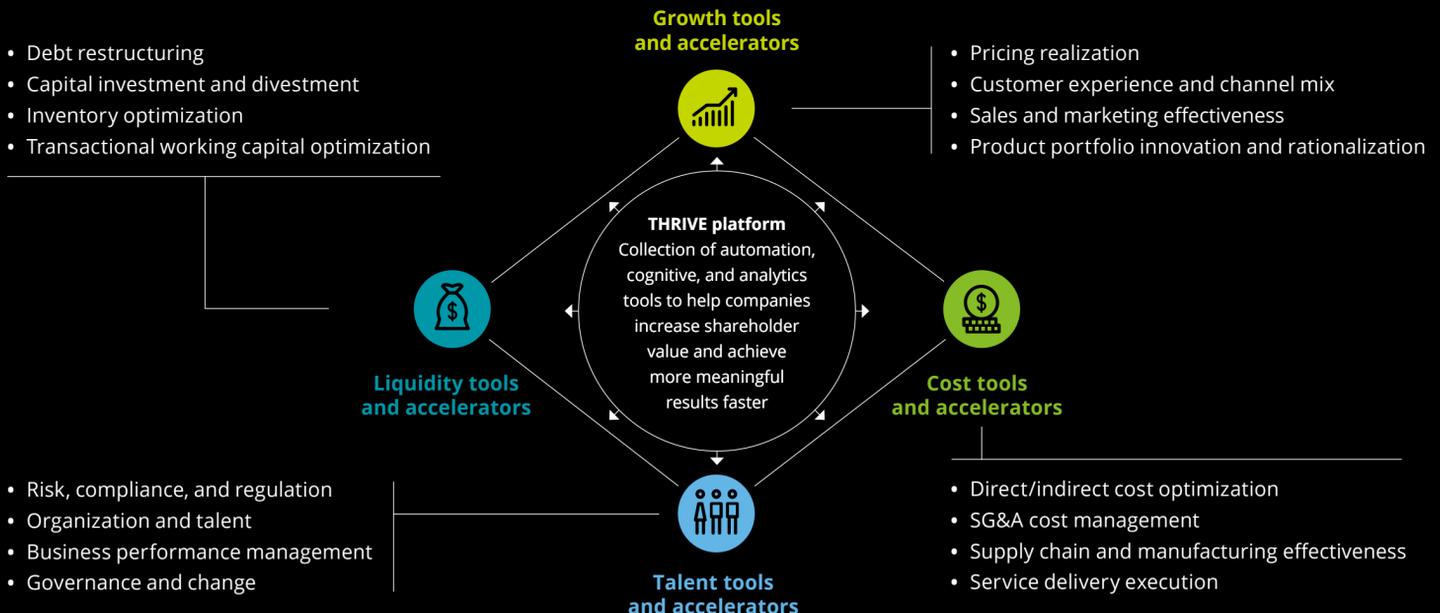
Digital disruption viewed as an external risk



In light of high cost reduction program failure rates, organizations should be taking seriously the exponential technologies that drive digital disruption as a key factor that can boost efficiency and effectiveness, enable new business models, and help systemically reduce costs and improve margins.

Cost solutions: Current state and future potential			Maturity	Cost reduction potential	Current or expected time to results
1980 to present	Traditional cost management: Cost categories and processes	Maximizing traditional cost levers	■ ■ ■ ■ ■	+	⌚
		Traditional external spend reduction levers	■ ■ ■ ■ ■	\$	⌚
2008 to present	Structural cost management: Operating models and governance	Alternative operating models	■ ■ ■ ■ ■	+	⌚
		Alternative service delivery models and demand management	■ ■ ■ ■ ■	\$	⌚
2017+	Advanced/next-gen cost management: Digital cost solutions	Analytics and cognitive solutions	■ ■ ■ ■ ■	+	⌚
		Automation	■ ■ ■ ■ ■	\$	⌚

Tactical cost management approaches typically yield cost savings of less than 10%. As such, many companies would be better served by applying approaches that are more strategic and thus more likely to deliver greater savings. Deloitte can help organizations design a margin improvement playbook that aligns with its future needs and market position and converges advanced/next-gen digital solutions to support multiple value levers.



Explore additional findings, including region-specific analysis, at www.deloitte.com/us/thriveglobal

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