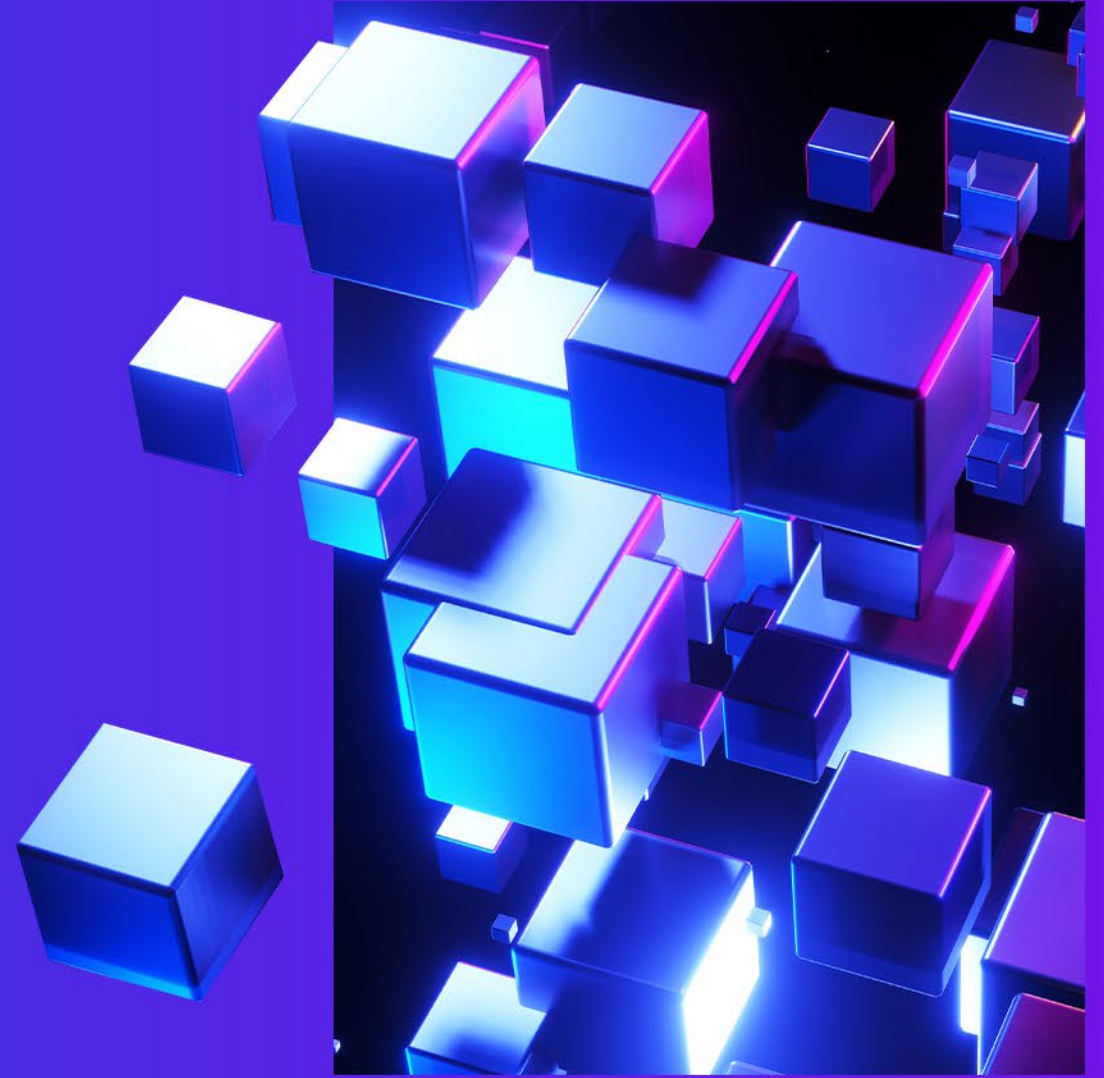




Building a cost efficiency strategy to drive growth and value



Cost efficiency

Definition and Strategies for CFOs

With you today: Thank you



Julie Fults

Managing Director,
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Principal, Advisory
Strategy – COE

Today's agenda

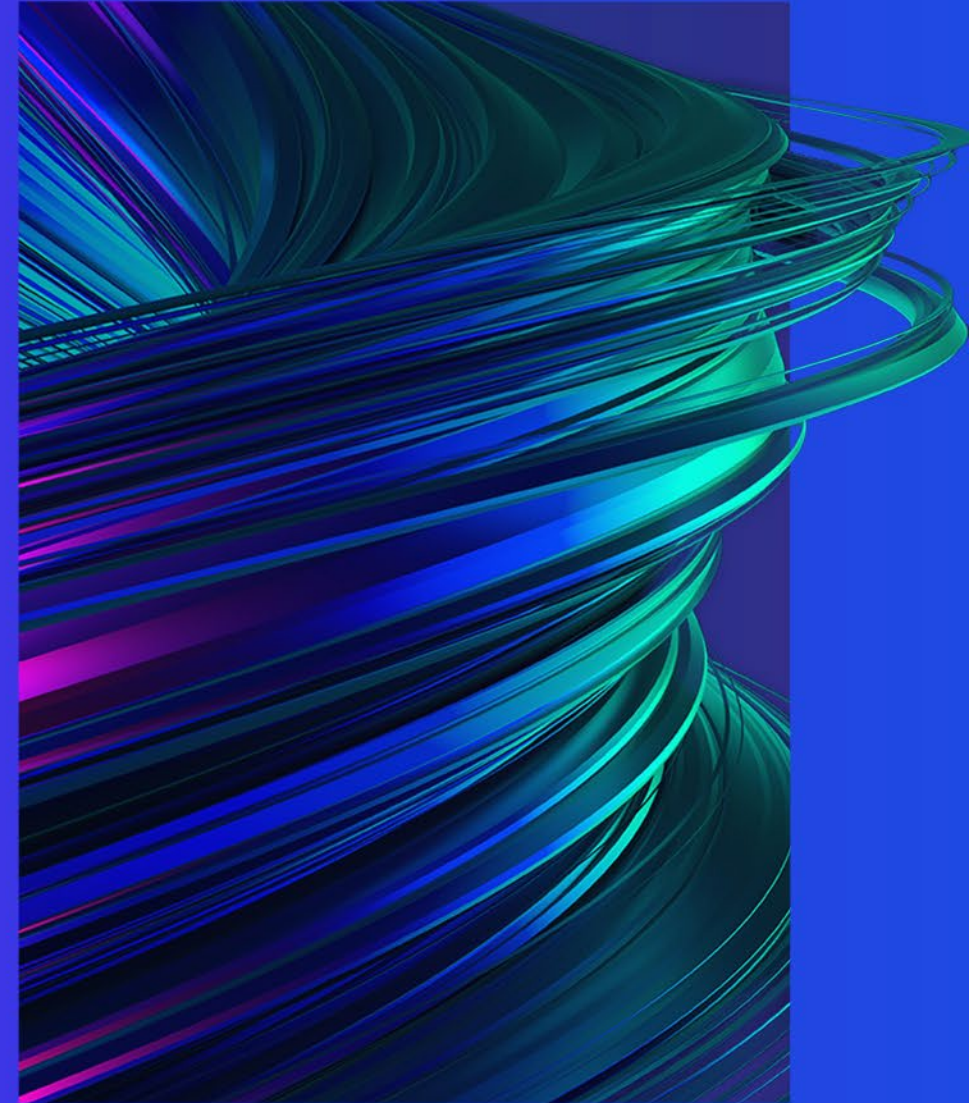
- **Reflecting on the current state of the economy and the impact on finance organizations**

“Playing offense” when planning for an economic downturn

- **Setting up quick wins to enable the broader cost optimization plan**

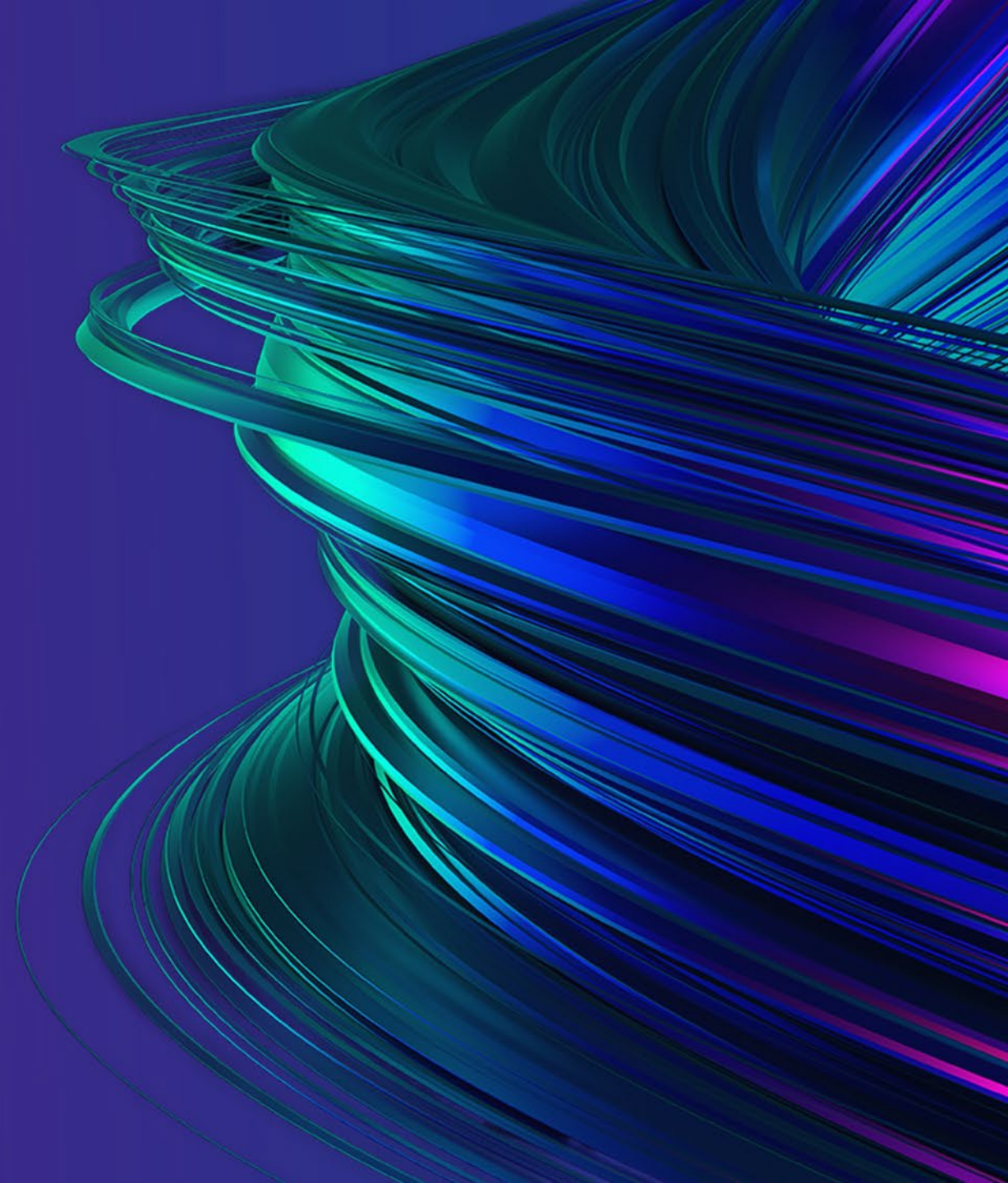
How the KPMG framework can align finance activity to the core business value drivers of a company

- **Q&A**



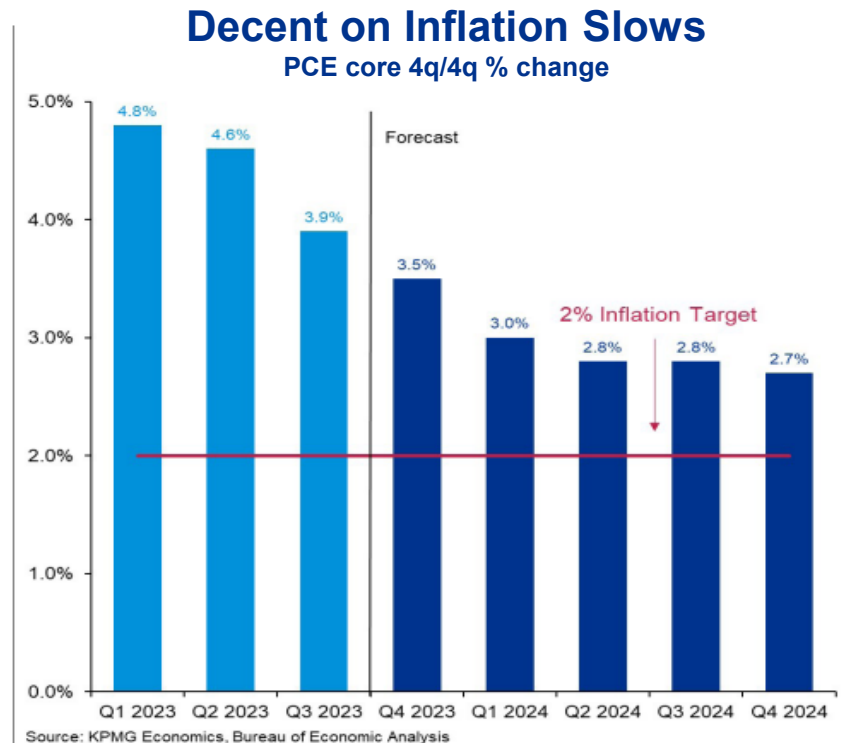


Reflecting on the current state of the economy and the impact on finance organizations



Current economic trends per KPMG global economic outlook

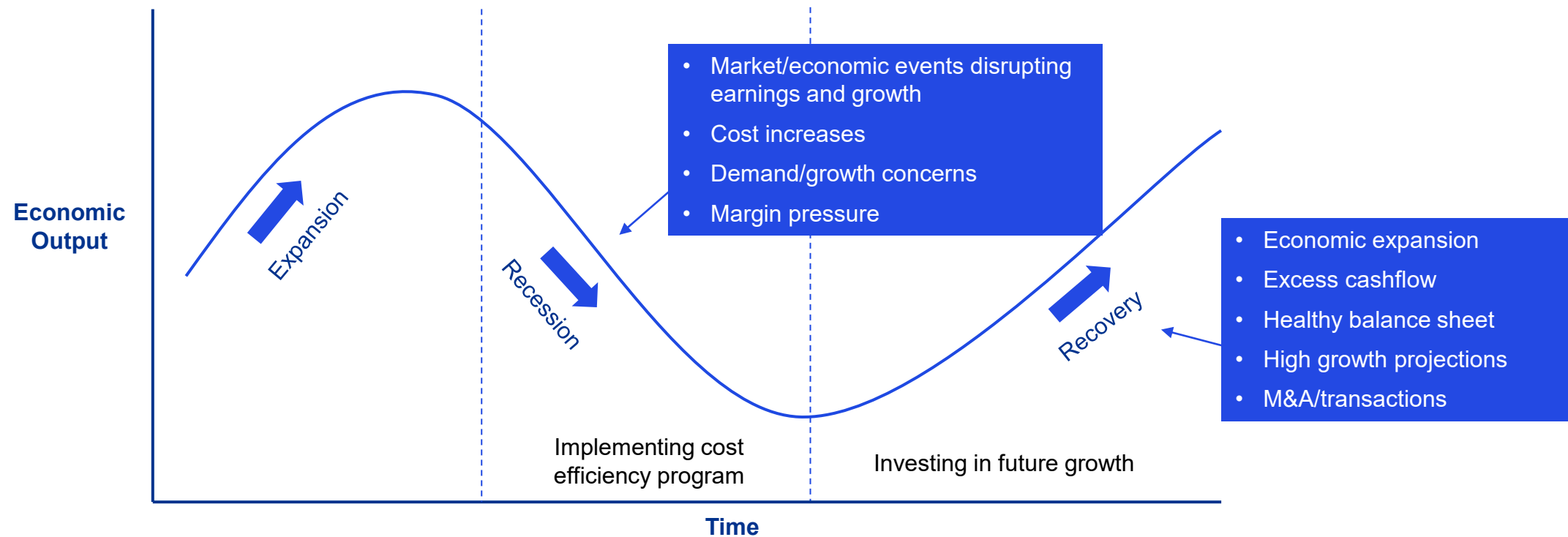
Not too long-ago inflation was at its highest rate in 40 years, and the prospect of slowing economic growth had clouded the business outlook. A soft landing is possible and even probable but not guaranteed; our journey is not yet done.



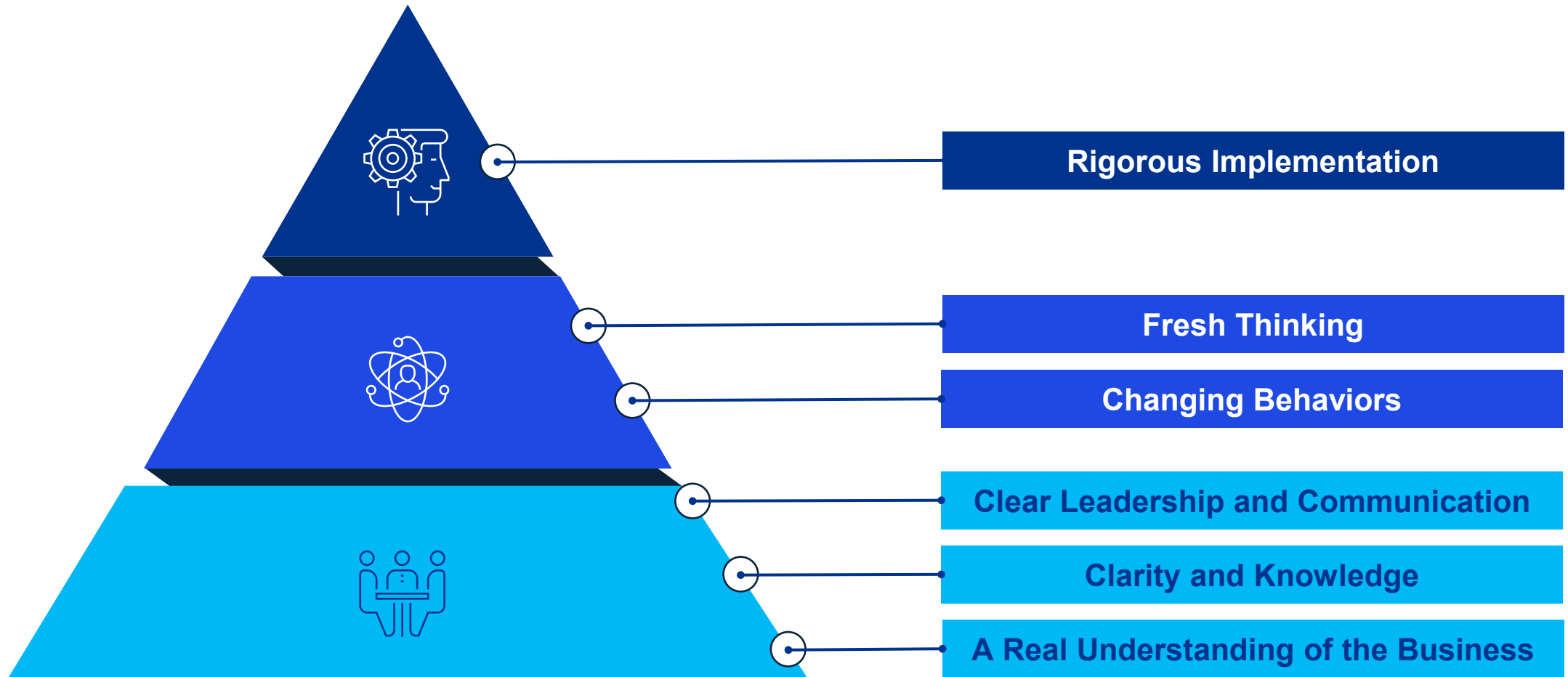
- Decent on inflation slows -- the trajectory for the core (excluding food and energy) personal consumption expenditures (PCE) index, the Fed's favored measure of inflation
- Recent data suggest underlying inflation may be getting stickier with the persistence of inflation, particularly in the service sector worrisome
- The Fed wants to see core PCE drop below 3% for an extended period before it starts normalizing policy. That puts the first rate cut in June
- Bottom Line -- We have weathered the storm of inflation and rising rates better than our counterparts abroad. A soft landing is possible and even probable but not guaranteed; our journey is not yet done

CFOs need to plan for a downturn while thinking about future goals

Shifting economic cycles put pressure on finance leaders to “Elevate Finance” while creating value and optimizing costs to survive, sustain, and grow the business.

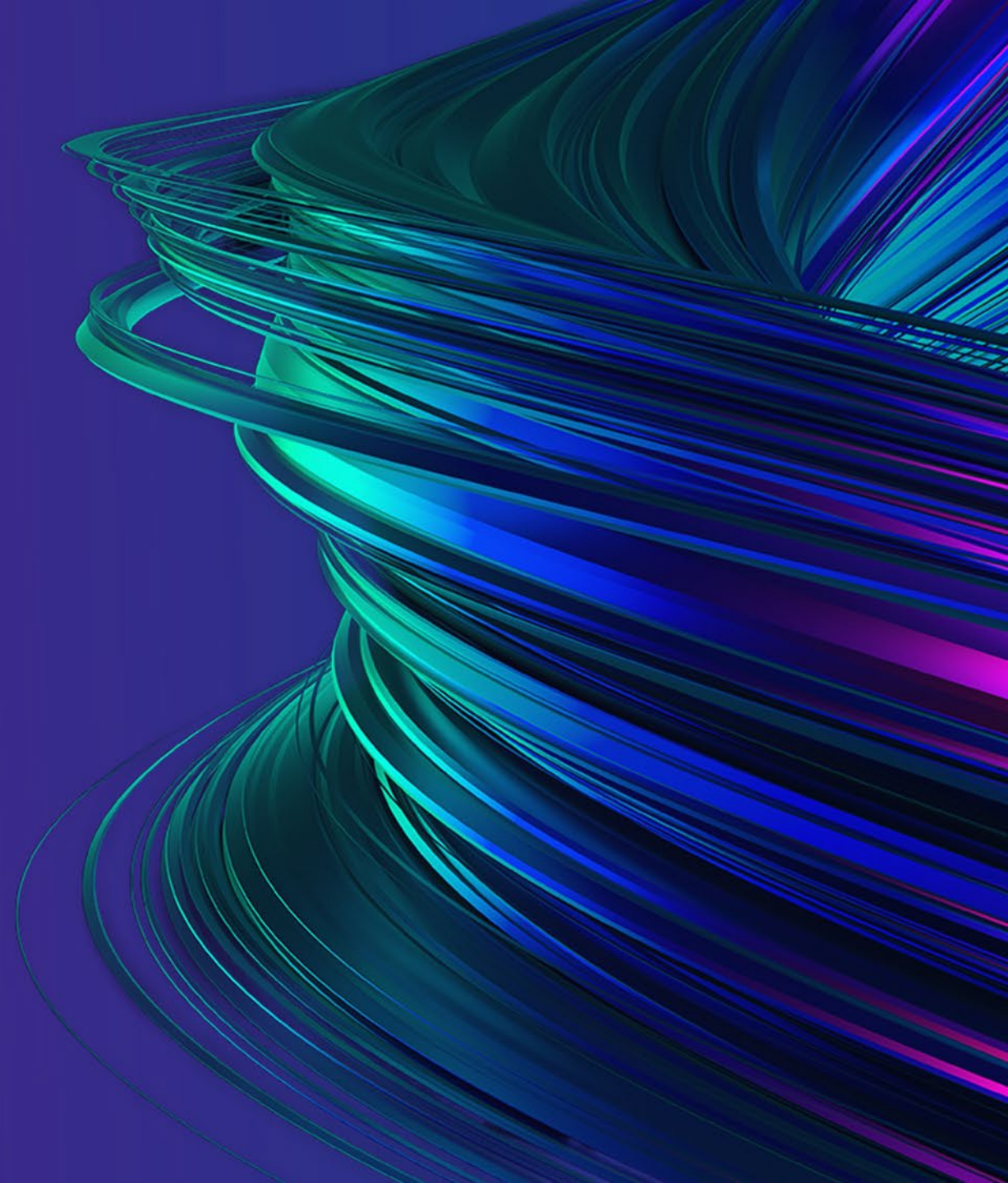


KPMG research indicates that “playing offense” requires...





Setting up quick wins to enable the broader cost optimization plan



KPMG guiding principles for cost efficiencies

Truly effective cost optimization must...



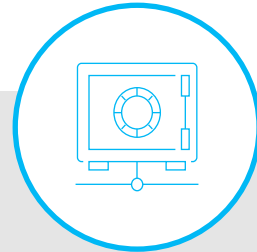
1

Be sustainable over the long term and enable current and future business performance.



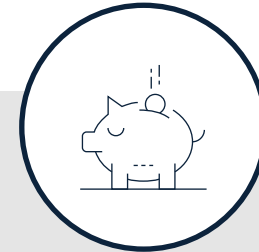
2

Prioritize quick wins and digital agility that can fund larger transformations later in the business cycle.



3

*Take into account areas of growth and opportunity that also **help the organization become future ready.***



4

*Create a “**cost culture**” that enables the organization to optimize cash and find new ways to reduce costs in the future.*



5

*Provide a **monitoring program** that allows the organization to track and measure its performance over time and make adjustments as needed.*

Our approach emphasizes speed to insight and quick wins



Quantify the value

Rapid assessment of transaction level data to quantify EBITDA value of various opportunities across a series of levers to transform performance



Synthesize, Prioritize, and Quantify



Validate and Build the Plan



Capture the value

Implementation of quick wins to generate immediate EBITDA value and help fund long term transformative sustainable changes to the business



Deliver Quick Wins



Plan and Implement Initiative List



Manage and Track Value

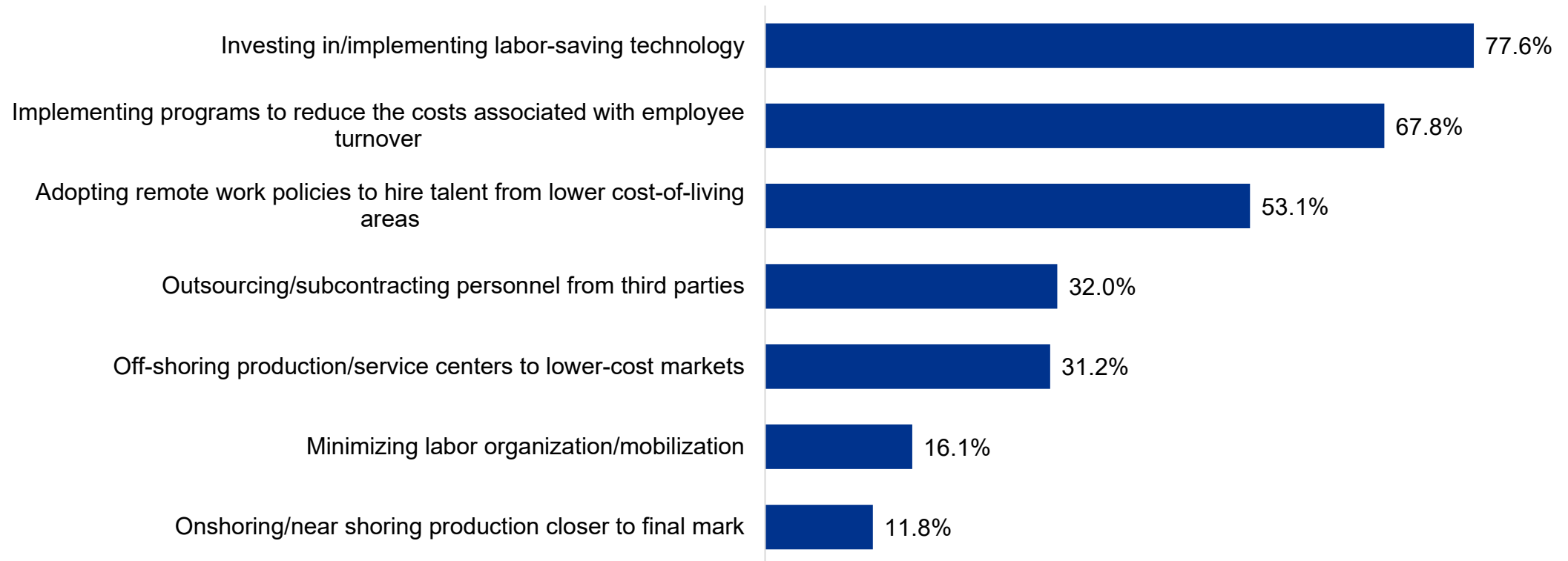
Continuous tracking and management of value identified and communicated to leadership to manage program costs and ensure transparency in transformative efforts

Leveraging KPMG target operating model to prioritize cost saving levers



KPMG Economic Insights indicate what cost saving levers are top of mind for companies to manage labor costs

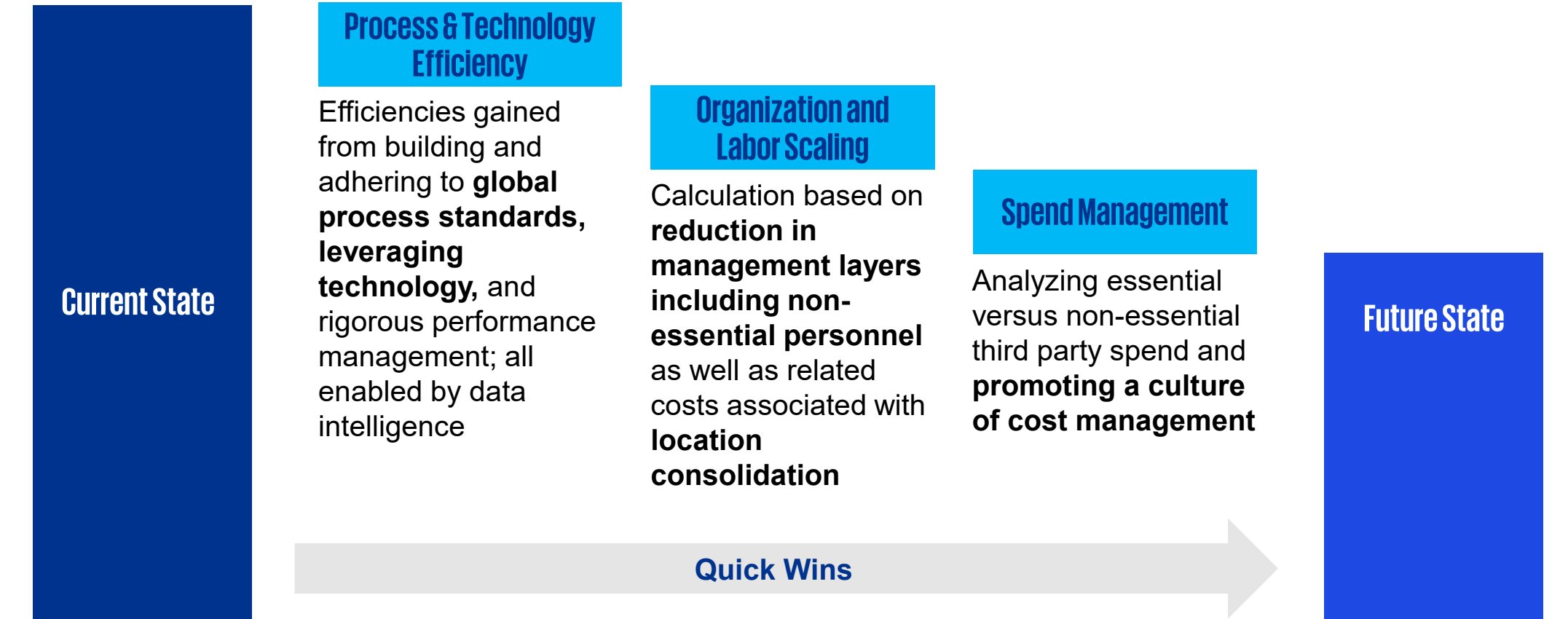
How are companies planning to reduce unit labor costs?



Source: KPMG Economics, KPMG Insights on Inflation (Q3 2022)

Using quick wins to fund longer term goals

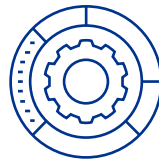
Savings realization levers



KPMG framework is a tactical program that prioritizes data and analysis for a targeted cost efficiency program...

Analyze cost structure

Collect and normalize client data



Types of Data:

- Organization Headcounts and Costs
- Company Financial Data
- Employee Activity Mapping
- Volumetrics
- Technology Landscape
- Indirect Spend
- JE & Planning Detail

Merge and analyze data with external insights and benchmarks

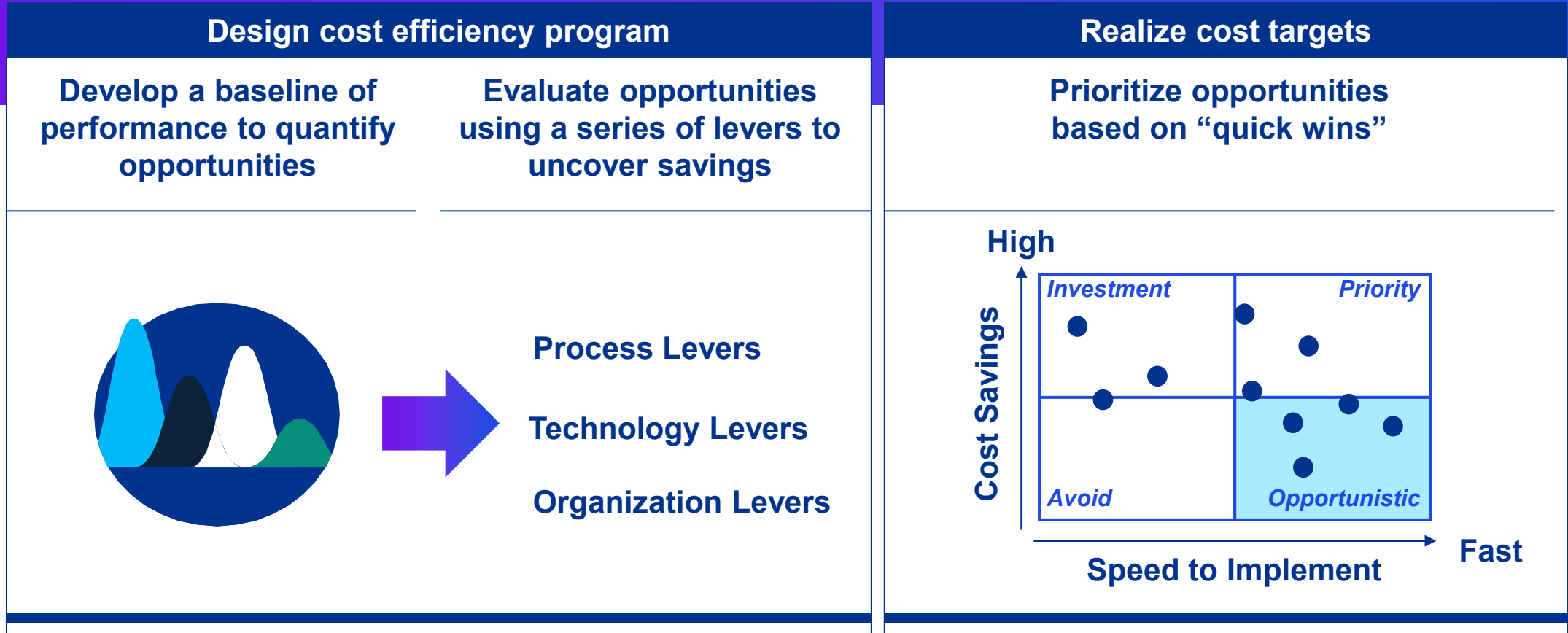


Types of Benchmarks:

- Cost *How much less can the company spend?*
- Financial
- Volume *How much efficiency can the company gain?*
- FTE

Enabled by KPMG Benchmarking Plus tool

...which leads into opportunities and initiatives that emphasize business needs and quick wins



The background features a 3D geometric pattern of interlocking, angular shapes in various shades of purple and blue. A large, solid dark blue rectangle is positioned on the left side of the image, containing the text 'Q&A'.

Q&A



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