



The new imperative to strategically manage investments in TMT



A holistic view: The TOTEX approach

The Technology, Media, and Telecommunications (TMT) sector is characterized by rapid technological advancements, intense competition, and evolving consumer demands. In this dynamic environment, companies face significant challenges in managing their investments.

Leaders are evolving the traditional approach to Capital Expenditure (CAPEX) and Operational Expenditure (OPEX) planning to navigate the complexities of the modern TMT landscape.

Total Expenditure, or TOTEX, offers a more integrated and strategic approach to investment management. TOTEX is a strategy that can provide a sustainable competitive advantage by driving efficiency, innovation, and long-term value by addressing the market pressures to grow the top-line, increase profitability and generate free cash flow.

By considering the entire lifecycle cost of an asset, from acquisition to operation and maintenance, TOTEX enables TMT companies to make more informed decisions that drive long-term value. This holistic perspective allows for a more flexible and agile response to market changes and technological disruptions.



Comparing investment approaches

	Traditional CAPEX/OPEX	TOTEX (Total Expenditure)
Definition	Separate classification of long-term asset costs (CAPEX) and ongoing operational costs (OPEX)	Unified view of all expenditures (CAPEX + OPEX) over the end to end lifecycle
Primary goal	Control spending within predefined capital and operational budgets	Maximize value and efficiency from total expenditure in achieving strategic outcomes
Time horizon	CAPEX: Long-term; OPEX: Short-term (typically annual)	Long-term, focusing on whole-of-life cost and value
Decision driver	Often driven by budget availability within separate CAPEX/OPEX categories; aligned to specific budget limits	Achievement of desired outcomes at the optimal total lifecycle cost
Accounting & internal mgmt	Expenditures managed in distinct "buckets"; depreciation for CAPEX, direct expensing for OPEX.	Focus on total cost envelope; allows flexible allocation between CAPEX and OPEX to achieve outcomes, though external reporting still follows accounting standard
Flexibility	Limited flexibility to trade off between CAPEX and OPEX once budgets are set	High flexibility to substitute between CAPEX and OPEX to find the most efficient solution
Key benefit	Clear accountability for distinct types of expenditure; simpler budgeting for individual categories	Enhanced efficiency, innovation, focus on long term value, and outcome delivery; overcomes CAPEX / OPEX biases
Key challenge	Potential for siloed decision-making, CAPEX/OPEX bias, and sub-optimal lifecycle costs	Requires significant mindset shift, cultural change, robust data and analytical capabilities, and can be complex to implement and benchmark
Data intensity	Moderate; focused on tracking specific CAPEX projects and OPEX line items	High; requires comprehensive data on lifecycle costs, performance metrics, and outcome achievement

Key considerations

Shifting to a TOTEX approach is not without dependencies that need to be considered. For example:



Data and analytics

TOTEX requires robust systems to track and forecast lifecycle costs and performance and therefore, a potentially big initial effort to enhance financial/asset data



Cultural shift

Finance, operations, and technology teams must collaborate closely. Organizations will likely need to update incentives and KPIs to reward total cost optimization, not siloed budgets



Financial and internal reporting

TOTEX will require two reporting methods. While internal management can shift to a TOTEX focus, external reporting must still adhere to standard accounting principles



Investor communication

Market expectations for metrics like CAPEX, FCF, and capital intensity need nuanced explanation under a TOTEX model

Reaping the rewards: Benefits of TOTEX



Enhanced innovation

Justify higher upfront investments if it drives larger long-term OPEX savings. TOTEX encourages a shift towards innovative solutions that may have a higher initial cost but offer significant long-term savings and can also foster innovation by experimenting with new solutions without being tied to rigid budgets. For example, a media company might invest in a cloud-based content delivery network (CDN) that reduces the need for costly on-premise infrastructure.



Improved efficiency

Maximize the long-term value of every dollar spent across the entire asset/service lifecycle. By optimizing the trade-offs between CAPEX and OPEX, TMT companies can achieve greater operational efficiency. A telecommunications provider, for instance, might choose to lease network equipment instead of purchasing it outright, freeing up capital for other strategic investments.



Greater agility

Respond faster to rapidly evolving technology environment and competitive threats. The TOTEX model allows for greater flexibility in responding to market dynamics. A technology company, for example, can quickly scale its operations up or down by leveraging cloud services, avoiding the long-term commitment of traditional CAPEX investments.



Clearer investor story

Provide a more compelling narrative to investors shifting emphasis on total value, efficiency and effectiveness of spend across lifecycle. By moving beyond CAPEX/OPEX distinctions to portfolio-based investment governance, CFOs can consider the role of AI by aligning funding models with AI-enabled productivity rather than historical cost structures and even look to embed digital agents in planning, execution, and measurement frameworks.

Framework for success

Regulated utilities, such as those in the water and energy sectors, have successfully implemented TOTEX frameworks. For example, water companies have used TOTEX to implement initiatives aimed at reducing the need for future capital projects by investing in network analytics and proactive maintenance. This has resulted in an average saving of 35% across projects.

Technology hyperscalers like Amazon Web Services (AWS), Microsoft Azure, and Google Cloud Platform (GCP) take a similar approach by focusing on Total Cost of Ownership (TCO) to optimize their massive data center infrastructures. Their relentless pursuit of TCO reduction drives significant efficiencies and competitive advantages.

While explicit TOTEX adoption has been less common in telecommunications, the underlying principles are becoming increasingly relevant.

Major providers are exploring ways to optimize their expenditure management, including investments in network automation and as-a-service models such as:



Investing more heavily upfront in network components with advanced automation, self-healing capabilities, and enhanced energy efficiency, reducing long-term OPEX.



Exploring as-a-service models for non-core functions, reducing CAPEX but increasing OPEX.



Optimizing customer premise equipment (CPE) strategies, potentially investing in more durable CPE to reduce long-term maintenance and support costs.

Implementing TOTEX

Initiate pilot programs

Launch pilot TOTEX programs within specific business units or for particular types of investments to gain practical experience and identify data gaps.

Foster cross-functional collaboration

Establish dedicated teams comprising representatives from finance, engineering, operations, and strategy to develop and champion TOTEX principles.

Proactive investor communication strategy

Understand impacts of TOTEX on reported financials and key metrics (e.g., FCF, Capital Intensity) Clearly articulate the rationale behind the shift, the mechanics of the TOTEX approach being adopted, its expected long-term benefits, and how investors should interpret any changes in financial presentation.

Invest in data infrastructure and analytics

Enhance data collection systems, governance practices, and analytical tools to support whole-life costing and scenario analysis.

Develop TOTEX-aligned KPIs

Create new KPIs that reflect TOTEX principles, such as total lifecycle cost per unit of output or outcome achievement per total dollar spent.

Continuous learning from industry peers and other sectors

Actively monitor and learn how others are evolving their expenditure management strategies and adapting to similar challenges and opportunities. Establish peer connects with global telcos, hyperscalers and leading firms in other capital-intensive sectors.



Lets talk

TOTEX represents a significant shift in how TMT organizations manage their expenditures, driving efficiency, innovation, and long-term value creation.

By understanding the challenges, embracing the TOTEX approach, and learning from other industries, TMT companies can unlock new levels of efficiency and competitiveness.

Discover how TOTEX can transform your organization's expenditure management.



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