

# Short-term IT cost cutting

April 2020

Crises are always challenging times for companies and societies. The worldwide COVID-19 lockdown has resulted in a shrinking demand for goods and services around the world. This situation will lead to a drop in companies' revenues. To ensure ongoing profitability, companies will need to reduce operational costs.

IT costs contribute significantly to companies' overall costs and offer big levers for cost-cutting measures and efficiency improvements. Against the backdrop of the COVID-19 crisis it is important to act quickly and to identify those IT costs that can be taken out short term. KPMG will help you identify and realize cost-cutting opportunities, and ensure through IT operating model optimizations that your cost reductions are sustainable, so that your company is well prepared to handle the crisis.

**A short-term IT cost-cutting exercise is crucial for business continuity.**

**Cost-cutting focuses on the following three areas:**

Provide transparency on IT costs	Reduce IT costs short-term	Ensure sustainability of lower IT cost levels
<ul style="list-style-type: none"> <li>• Gather IT cost</li> <li>• Benchmark IT cost</li> <li>• Understand IT cost drivers</li> <li>• Identify high-level IT cost saving potential</li> </ul>	<ul style="list-style-type: none"> <li>• Identify and elaborate on cost-saving scenarios</li> <li>• Calculate cost reduction potential per scenario (business case)</li> <li>• Identify short-term cost-cutting initiatives</li> <li>• Execute cost-cutting initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and measure IT cost-cutting metrics and KPIs</li> <li>• Monitor progress of IT cost cutting</li> <li>• Elaborate on mid and long-term cost-cutting initiatives</li> <li>• Initiate additional IT cost-cutting exercises</li> </ul>

## How can we help?

 <p><b>Provide transparency on IT cost</b></p>	<ul style="list-style-type: none"><li>• Validate goal of IT cost optimization effort and formulate initial hypotheses</li><li>• Establish project governance and project plan</li><li>• Gather IT cost data as well as analyze, challenge and validate IT cost data</li><li>• Benchmark IT costs and staffing</li><li>• Understand current IT cost drivers</li><li>• Map IT costs to products / services / processes and set priorities</li><li>• Develop high-level IT cost optimization potential</li></ul>
 <p><b>Reduce IT cost short-term</b></p>	<ul style="list-style-type: none"><li>• Verify strategy and decide on core / non-core products, activities, systems</li><li>• Define measures to reduce complexity, increased flexibility and lower IT costs</li><li>• Calculate cost reduction potential per scenario (business case, scenarios analysis)</li><li>• Determine where to cut cost and prioritize initiatives regarding timing (short-term and mid/long-term cost cutting) and the impact on business continuity</li><li>• Kick-off short-term cost-cutting initiatives</li></ul>
 <p><b>Ensure sustainability of lower IT cost levels</b></p>	<ul style="list-style-type: none"><li>• Develop KPIs, report on their development</li><li>• Define responsibilities and governance around IT cost tracking and cutting</li><li>• Provide progress monitoring dashboards based on KPIs</li><li>• Elaborate on mid and long-term cost-cutting initiatives with focus on strategic business / IT alignment and IT operating model optimization based on market best practices</li><li>• Initiate additional IT cost-cutting exercises</li></ul>

## Your benefits

	<b>Gain transparency:</b> Assist the IT organization to measure and assess whether the cost of delivery is appropriate to the business value gained through technology. Conduct a high-level benchmarking of the IT cost.
	<b>Enjoy rapid cost improvements:</b> Based on the cost assessment identify and prioritize the most promising cost reduction levers. Then, start cost reduction initiatives that focuses on low-hanging fruits and short-term cost improvements.
	<b>Ensure future strategic alignment:</b> Assist the CIO and other C-level executives with process improvements and cost optimization techniques that can result in better capabilities to meet the CEO's needs while providing better transparency to the CFO.

## Find additional KPMG COVID-19 resources here

<https://home.kpmg/ch/en/home/insights/2020/03/coronavirus-business-continuity-plan.html>

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