

# Focus on costs is key for sustainability of organizations

**Proactive businesses that renew their focus on costs and act before they are forced to will emerge stronger**

**The Covid-19 challenges are having a profound impact on organizations across the private and public sector in Qatar. While some industries are experiencing a surge in activity, many are facing a rapid decrease in revenue and an evaporation of their cash reserves. It is unclear what the final economic impacts of this crisis will be.**

**Whatever the financial circumstance of your business, it is inevitable that a renewed focus on costs will become a priority consideration. Cost optimization looks beyond short-term cost cutting or belt tightening tactics, to identify sustainable solutions that will help position your company for future growth. Now is the time to assess the effectiveness of your operating model, your products, channels and markets to revalidate that they remain the best course for your business both during the current environment as well as in a potential future state**

## Different approaches for different circumstances

While every business will be looking at costs, what they do will depend on whether they are in a position of relative strength or weakness.

Our experience working with private, mid-market and family businesses in Qatar and the region has shown that organizations that take a more holistic, strategic view will have a greater chance of success.

## The need of the hour



**Consider** the business and operating model – not just cost savings



**Understand** trade-offs between costs, income, impacts on customer service and risk



**Adjust or eliminate** underperforming operations or investments



**Prepare** to invest in certain cases to get a better outcome



**Embed** a culture of high performance and cost leadership.

## How to identify the right cost opportunities

Understanding your business' cost drivers is critical to identifying the right cost opportunities and avoiding unnecessary negative impacts on your business, customers and staff.

In our experience a successful cost optimization initiative starts with gathering your current cost base and performing a spend analysis. This will help inform your needs and sets a baseline to measure and track success.



# While every business is unique, there are common areas to focus when it comes to costs:



## Supply chain

- Accurate demand forecast, informing inventory management and resource planning.
- Vendor effectiveness and reliability assessments.
- In-bound logistics planning and rationalizing.
- Inventory management, including critical spare management and contingency planning.



## Business Model

- Divest from non-core markets.
- Focus on the organizations existing or emerging market strengths.
- Rationalize underperforming products or services.
- Close underperforming segments.



## Procurement

- Rationalize of supplier base.
- Streamline material planning and ordering processes.
- Focus on category management, including the renegotiation of terms.

## Looking ahead to become more resilient in the future

Businesses that take a proactive approach will emerge from this crisis stronger and better equipped to adapt and leverage the market opportunities that will eventually emerge.

In these testing times business resilience and an ongoing focus around cost optimization will be required. A one-off cost saving approach or mindset is unlikely to achieve sustainable value. It is important to manage through the entire lifecycle of this crisis – not just the event.

## Contact us



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