

# Control the cost curve

## Managing costs and profitability in a volatile environment

The COVID-19 pandemic is pushing many companies around the world to urgently reduce costs and work to optimize profitability. Businesses today often face recessionary pressure, extreme market volatility, and large fluctuations in supply and demand. They also can face higher costs of doing business because of supply chain disruptions and social distancing. These challenges demand improved cost management tools and advanced analytics to help identify cost reduction opportunities, develop more accurate planning scenarios based on the probability and timing of economic activity, and reduce the impact of cost volatility on the P&L.

### A path forward

To help their organizations respond, recover, and thrive amid COVID-19-related challenges, enterprise leaders across industries are prioritizing **cost and profitability management**. As your business continues to navigate the crisis, Deloitte can help you maximize the results from your cost control efforts, with a full range of services as well as ready-to-deploy offerings based on SAP® solutions and advanced analytics. Key capabilities:

#### Overhead Accounting

- Cost center structuring; structuring plan vs. actual spend; driver-based allocations
- Overhead variance analysis of the additional costs and absorption due to the COVID-19 crisis

#### Product Costing

- Simulation of product costs and financial planning with alternative manufacturing options and sources of supply (e.g. component substitution; comparison reports)
- Activation of nonactive standard SAP-delivered reports and functionality
- New product costing with or without quantity structures
- Creation of analytical views for detailed manufacturing variance and absorption analysis

#### Profitability Analysis

- Creation of additional reports with key attributes to support a meaningful product viability analysis based on profit margin
- Revised product profitability reports based on current/modified standard costs
- Provide a real-time view of plan vs. actual and enable scenario planning and what-if scenarios for product economic viability



### Potential benefits

- Valuable insights from updated structures and analytical reports—with the ability to rapidly identify and react to affected products and geographies
- Identification of potential cost saving and revenue optimization areas
- Greater predictability and faster reaction time through multiple planned scenarios
- Improved overhead cost visibility with new analytical views
- Analytical reports that support critical decisions (e.g. make vs. buy; profitable vs. unprofitable products)
- Simulation of what-if price scenarios; margin and cost impact analysis
- More informed decision-making in a volatile and uncertain environment



### How we can help

Addressing the COVID-19 crisis and getting to the “new normal” will likely require industry-specific guidance and a spectrum of skills that extend across business and technology needs. Deloitte can help, providing critical technology solutions and services for enabling a more resilient organization. Here are a few ways we can support your efforts to control costs and optimize profitability:

- Help with new configurations and/or preconfigured solutions to enable “quick wins” for your business
- Deliver a quick-turnaround analytical solution to help address your immediate business needs related to cost savings, planning, and decision-making
- Provide immediate staff augmentation (with deep functional specialization) to give your business teams much needed support



### The Deloitte difference

Deloitte brings a tested methodology for creating value with the “built to evolve” Kinetic Enterprise™—an intelligent, responsive, cloud-enabled organization powered by a clean core and an inclusive ecosystem of capabilities. When you work with our team on solutions to control costs and optimize profitability, you get access to Deloitte’s deep industry-specific experience—which grows daily as we help enterprise leaders across the globe reimagine *everything* and use SAP solutions to help solve complex business challenges.

# Deloitte.

### Let’s talk

If getting ahead of the cost curve is a priority for your organization, we should talk. Contact us to learn how we can help you take cost and profitability management to the next level—so you can effectively address COVID-19-related challenges as well as future waves of disruption.

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