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Cost optimisation
a strategic imperative for
long-term competitiveness
in mining



In mining, cost is more than an operational metric. It is often a matter of survival. As commodity cycles fluctuate and market uncertainties grow, mining companies must be vigilant on cost efficiency to stay competitive. Yet, traditional cost-cutting approaches are no longer enough. The industry is entering a new era that demands smarter, more integrated cost optimisation strategies.



At Deloitte, we are seeing forward-thinking mining leaders shift from episodic cost-out exercises to sustainable, enterprise-wide cost transformation.

To improve profitability and sustainable business operations, the mining sector can embed smarter cost management into the core of its processes and systems.

Unlocking the cost levers that drive mining profitability

Cost optimisation in mining is multi-dimensional and goes beyond slashing expenses. The key is identifying and activating the right cost levers across the value chain. These include:

Operational efficiency and productivity

Mining is inherently unpredictable. Plans made at the start of the year often unravel due to geological surprises or equipment failures. The ability to close the gap between plan and actual delivery is critical. The real cost comes in the re-planning. When things do not go according to plan, costs spiral as operations fall into a never-ending cycle of playing catch-up.



At a diversified mining operation in Africa, Deloitte was brought in to help identify and resolve persistent cost inefficiencies. A diagnostic revealed that nearly half of procurement spend had not yet been addressed by any formal cost optimisation programme, and that more than a third of existing initiatives were not delivering improvements. In response, Deloitte helped the client establish focused task

teams and prioritise implementation of cost-saving interventions. This unlocked opportunities exceeding 10 USD million per annum and contributed to a reduction in the operation's all-in sustaining costs (AISC) by more than 10%. This is a prime case study of the power of data-driven diagnostics and focused execution to deliver operational gains at scale.

Smart operations, such as leveraging data, digital twins and AI can help miners monitor performance in real-time, optimise inputs and predict failures before they happen. According to Deloitte's **Tracking the Trends 2025**, these technologies offer a competitive advantage by enabling more agile responses to complex challenges.

Supply chain integration

In mining, supply chain costs are often hidden in plain sight. Materials management can account for a significant portion of operational expenditure yet supply and demand are frequently misaligned.

The problem can be likened to the 'leaky bucket' syndrome, where materials are procured but not used, stockpiling without oversight becomes part of the culture, and costly inefficiencies are incurred at the shaft level. A more integrated, digitally enabled supply chain can reduce waste, align procurement with production plans, and drive bottom-line impact.



Corporate costs and operating model restructuring

Beyond the mine site, corporate overheads represent a major cost lever. Redesigning the operating model, especially in back-office functions, can unlock savings.



A major mining company operating in the coal sector recognised that structural misalignment and unclear decision-making rights were contributing to inefficiencies across the organisation. Deloitte facilitated a series of executive-led workshops to confirm the company's five-year strategy, define decision rights, and redesign the service delivery model across both corporate and operational layers. This structured, agile design

approach ensured stakeholder alignment, clarified functional accountabilities, and laid a strong foundation for implementation. The outcome was a more accountable operating model and a post-implementation cost reduction of approximately 30%. This approach demonstrates that leadership-led transformation can yield measurable, lasting results.

Next-generation ERP systems, cloud technologies and automation are central to this transformation. Deloitte's research highlights that modernising the digital core not only reduces costs but enables faster, more strategic decision-making across the enterprise.

Capital efficiency

With fewer major capital projects underway in South Africa and other mining jurisdictions, capital discipline is under scrutiny. Value engineering and project optimisation can prevent over-design and control capital costs without sacrificing quality or safety.



Technology and automation

Technology offers enormous potential, but only when strategically deployed. Many miners invest in automation or AI without a clear path to value. The key is aligning technology investments with cost and productivity goals, ensuring adoption at all levels of the organisation



Three lessons mining leaders cannot afford to ignore

The mining sector has learned hard lessons about cost management. Three stand out:



Avoid lifestyle creep in boom times

When prices are high, cost discipline often fades. Maintaining a lean mindset during growth cycles is essential to long-term competitiveness.



Make efficiencies stick

Cost programmes frequently underdeliver because they focus on temporary fixes rather than structural change. Sustainable cost optimisation requires embedding new behaviours, aligning incentives, and building accountability into the culture.



Balance efficiency with growth

Cost control should not come at the expense of future production capability. Mining companies must balance operational efficiency with the need to invest in exploration, innovation, and reserve replenishment.





The path forward

As Deloitte's **Tracking the Trends 2025** report emphasises, mining leaders must build resilience through smarter, more sustainable business models. Cost optimisation requires a strategic approach to enable growth in a volatile, resource-constrained future.

Mining companies that embrace an integrated, technology-enabled approach to cost management will not only improve profitability, but they will also create a lasting competitive advantage.

Reference:

Tracking the trends 2025: Leading through transformational change in mining and metals

<https://www.deloitte.com/global/en/Industries/mining-metals/research/tracking-the-trends.html>



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