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2025 MarginPLUS study
Resilience and innovation

April 2025

Foreword

What is driving today's companies to reduce costs and transform how they do business? The short answer: competitive pressure, modest growth expectations, and the urgent need to build resilience—and fast.

Welcome to Deloitte's 2025 MarginPLUS study: Resilience and innovation, our annual analysis of how nearly 400 global executives are navigating margin pressure while rethinking how they operate, invest, and grow.

As 2024 came to a close, recession fears had eased—only 14% of respondents expected a downturn in the next year. Yet revenue projections remained cautious, with most companies expecting only 1% to 10% growth. That tempered optimism has fueled a new wave of cost transformation.

For the first time, competitive actions—not macroeconomic factors—became the top trigger for transformation. Inflation, rising labor costs, and slower demand remain key contributors, but peer moves are prompting executives to act with urgency. While tariffs were not explicitly included in this year's survey, recent developments on that front are already influencing company priorities and accelerating their transformation agendas.

Companies are shifting from spend optimization to hard-dollar cost reduction, up 26% year over year. The preferred approach? Targeted actions focused on specific divisions or geographies—nearly twice as common as across-the-board cuts. And companies are becoming more disciplined, narrowing their transformation scope from seven levers in 2023 to just three in 2025.

Technology is at the heart of this shift. Nearly every company is using Generative AI (GenAI) to reduce costs (39%), improve customer experience (27%), and fuel innovation (19%).

Still, many face structural barriers. Inflexible infrastructure, rigid cost structures, and outdated systems continue to hold back progress. Unsurprisingly, 79% of companies failed to meet their cost savings targets.

What sets the leaders apart? Bold targets, strong governance, and sustained investment in digital capabilities. These companies are not just cutting costs—they are building the resilience and innovation engines needed to thrive in a fast-changing world.

We hope these insights inform your strategy and help you move forward with clarity, confidence, and purpose.

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Key findings

What's driving transformation?

01

Overall business outlook—Growth expectations are down.

Most companies anticipate revenue growth of 1% to 10%—highlighting a slower growth environment relative to our previous survey.

02

Risks and barriers—Both internal and external barriers are challenging success.

Externally, top barriers to growth include shifts in customer buying behavior and reduced consumer demand. These factors are reshaping go-to-market and cost strategies. Internally, top challenges include inadequate digital infrastructure, inflexible assets, and rigid cost structures that are hard to scale.

03

Transformation triggers—Competitive pressure leads the way.

Competitor actions have emerged as the No. 1 driver of transformation—more reactive than proactive. Other key triggers include inflation, slowing economic activity, and labor costs.

What actions are companies taking?

04

Cost reduction versus spend optimization—Cost reduction has overtaken spend optimization.

Cost reduction rose from 14% to 18% as a top priority, while spend optimization fell from 12% to 9%. Companies are realizing they can't simply grow their way out of cost issues—they must address them directly.

05

Targeted actions—Precision is replacing broad-based cuts.

The leading approach to cost reduction is targeted action—focusing on specific divisions or geographies (69%, up from 65% in 2024). Across-the-board cuts ranked a distant second (41%). Companies are also narrowing their transformation efforts and using fewer levers (down from seven to three).

06

The role of AI—Generative artificial intelligence (GenAI) is everywhere, with a dual purpose.

All surveyed companies are using GenAI. While 39% use it for cost efficiency, even more (46%) are leveraging it to improve customer experience (27%) and drive innovation (19%).

Key findings

How successful are companies?

07

Failure rates and keys to success—Most companies fall short, but leaders show the way.
Seventy-nine percent of companies failed to meet their cost savings goals—slightly improved from 2024 (82%), but worse than in 2023 (72%).

Successful companies distinguish themselves by focusing on:

1. Cost reduction and cost avoidance
2. Data-driven decision-making and GenAI enablement
3. Targeted actions, not blanket cuts
4. Ongoing investment in digital infrastructure

01 Overall business outlook

Expectations about the economy and general business landscape have a major influence on companies' cost reduction and transformation activities. In this year's survey, respondents' views of the global economy and their own company's growth prospects are a mixed bag.

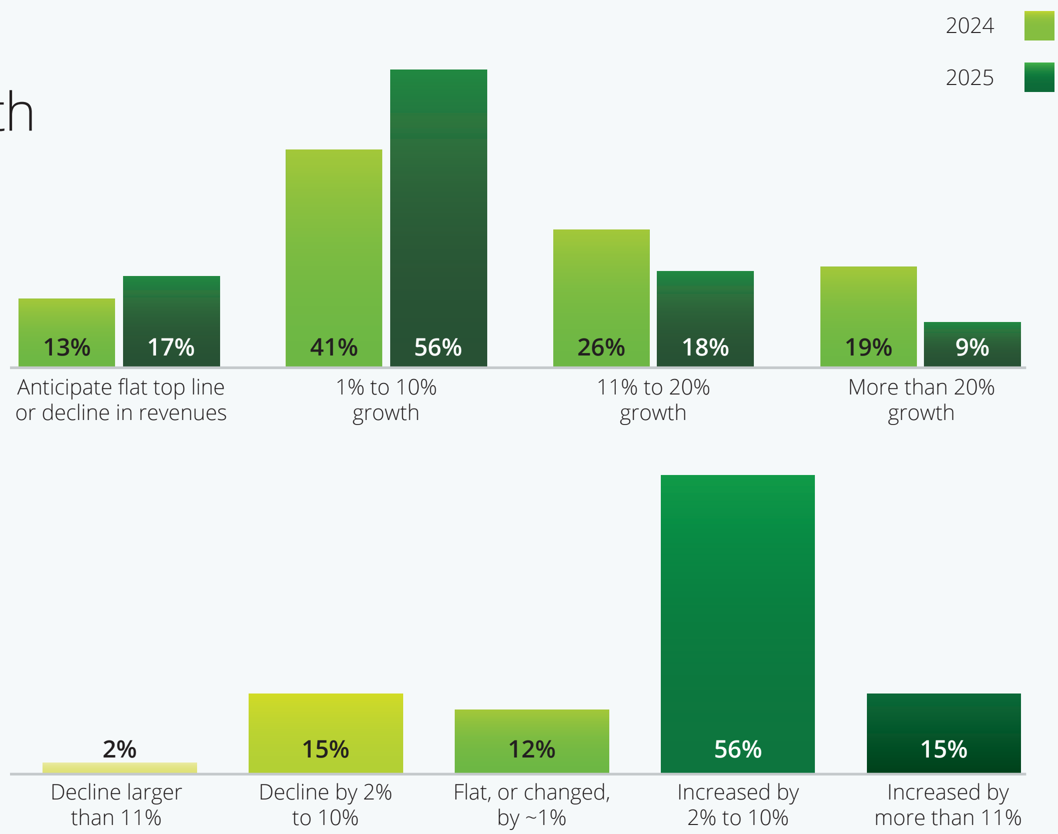
Growth expectations are also down significantly. In last year's survey, 45% of respondents expected their company's revenue to grow by more than 10%. This year, that number fell to just 27%. Instead, most companies (56%) are only expecting to achieve growth of 1% to 10% (figure 1).

FIGURE 1

Revenue growth

Business outlook
Relative to your last fiscal year, what is your organization's outlook for your top line (i.e., revenues) for the next 12 months?

Previous year growth
Did your organization's annual revenue increase or decline relative to the previous fiscal year?



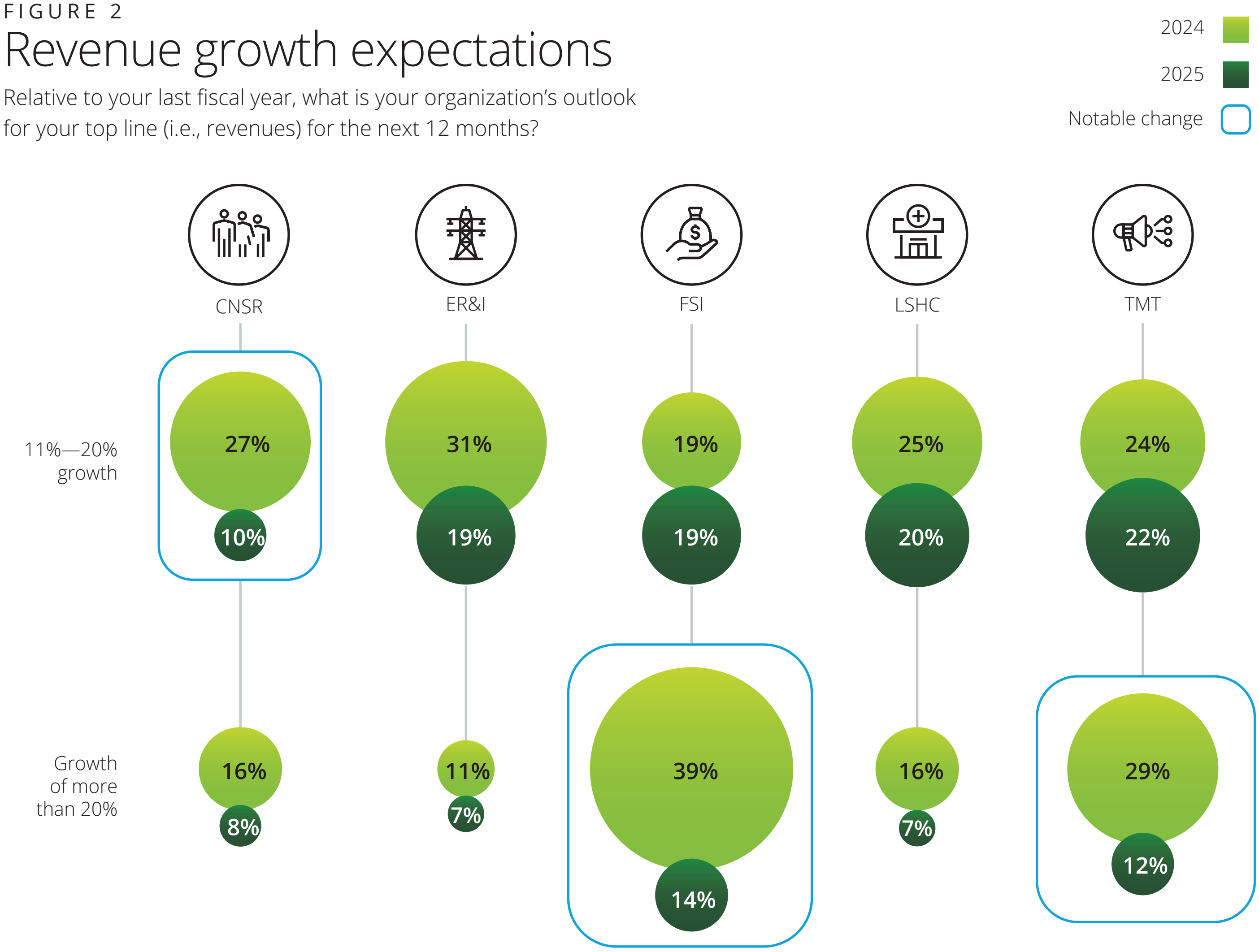
Note: Survey responses collected between October and November 2024. Commentary in this paper is reflective of survey responses, and sentiment may have changed since the survey was conducted.

The consumer sector has the lowest growth expectations, with the percentage of companies that expect growth of 11% to 20% falling from 27% to 10% since last year, and the percentage of companies that expect growth of more than 20% falling from 16% to 8% over the same period. For the financial services industry (FSI) and companies in technology, media, and telecommunications (TMT), growth expectations in the 11% to 20% range held relatively steady; however, there was a huge decline in the percentage of companies expecting growth of more than 20%, with FSI falling from 39% to 14%, and TMT falling from 29% to 12% (figure 2).

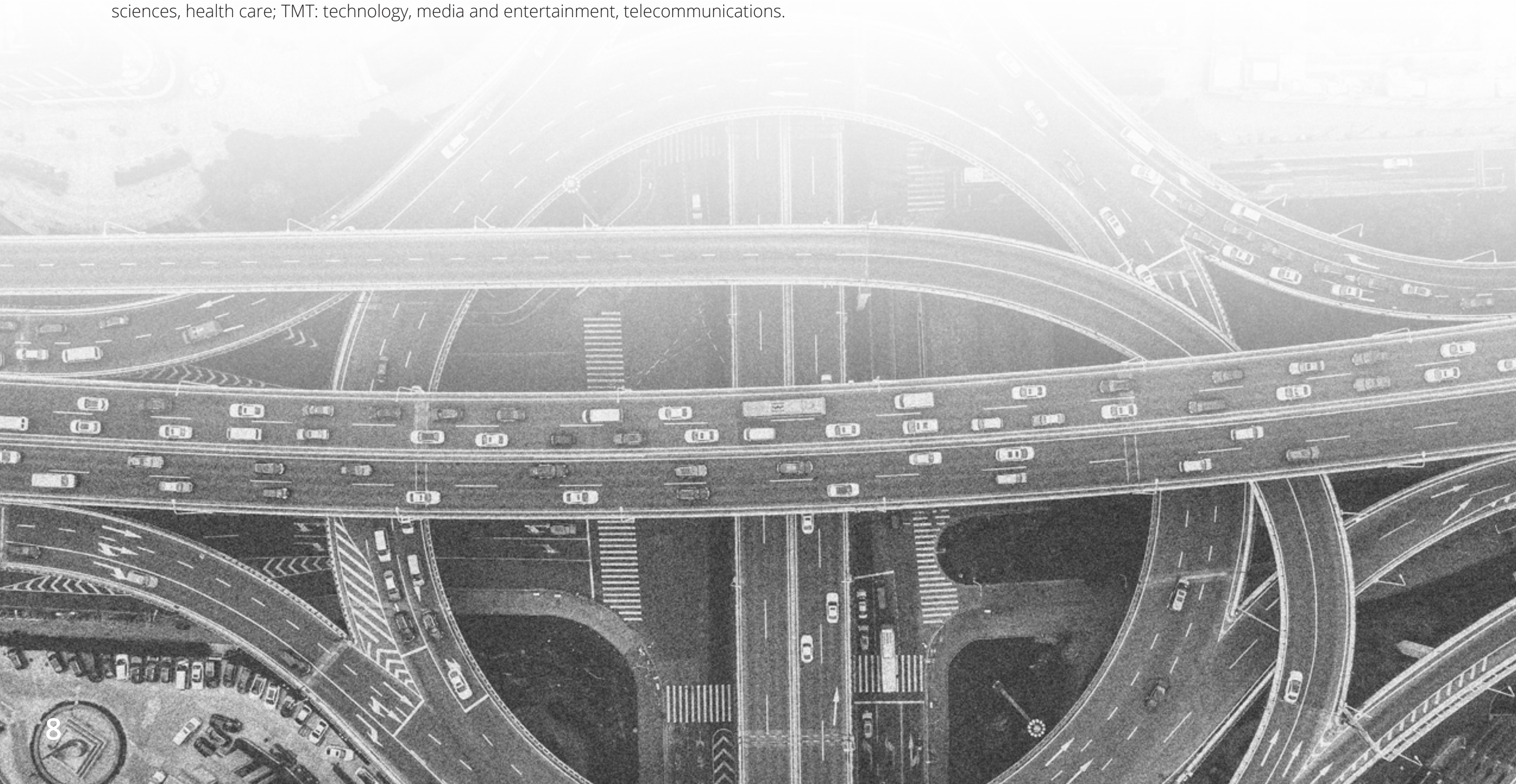
FIGURE 2

Revenue growth expectations

Relative to your last fiscal year, what is your organization's outlook for your top line (i.e., revenues) for the next 12 months?



CNSR: consumer products, retail, wholesale and distribution, automotive, transportation, hospitality and services; ER&I: oil, gas and chemicals, power, utilities and renewals, industrial products and construction, mining and metals; FSI): banking and capital markets, insurance, investment management, real estate; LSHC: life sciences, health care; TMT: technology, media and entertainment, telecommunications.



02

Risks and barriers

This year's reduced growth expectations are likely attributable to the significant external and internal success barriers that respondents highlighted consistently in this year's survey.

External risks and barriers

The two highest-ranked external risks/barriers are changes in customer buying behavior (45%) and lower consumer demand (38%) (figure 3). Both of these issues are closely related and are up significantly since last year. They also likely explain the consumer sector's low growth expectations and higher-than-average recession expectations. Inflation appears to be under control in the marketplace and is less of a concern than it was last year, falling from No. 1 to No. 3.

FIGURE 3

External risks/barriers

What are the top external risks/barriers to the success of your organization?

Outside of the top three, two noteworthy external risks/barriers that have risen significantly since 2024 are increased regulatory requirements (14%) and cybersecurity vulnerabilities (9%). Cybersecurity seems certain to be an increasing concern in the future, especially in light of artificial intelligence's (AI) rapidly advancing capabilities. However, the future regulatory environment is much less clear at the moment, with businesses and markets around the world currently receiving mixed signals about the level of government involvement they can expect to face in the months and years ahead. This is driving significant uncertainty in the global marketplace.

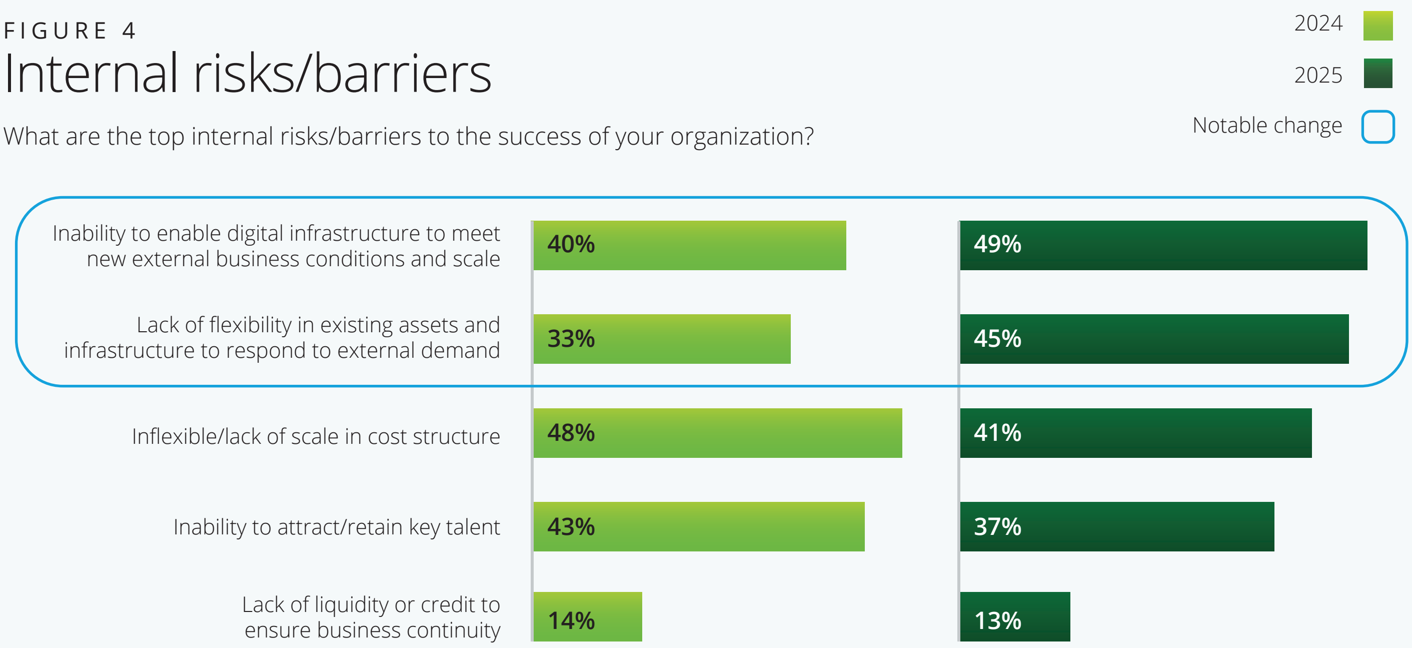
Internal risks and barriers

The two highest-ranked internal risks/barriers in this year's survey both revolve around infrastructure: specifically, companies' inability to enable digital infrastructure to meet new external business conditions and scale (49%, up from 40% last year); and lack of flexibility in existing assets and infrastructure to respond to external demand (45%, up from 33% last year) (figure 4). These two related challenges highlight the importance of making smart infrastructure decisions and investments that can help a company adapt and scale to an ever-changing—and increasingly digital—business environment.

FIGURE 4

Internal risks/barriers

What are the top internal risks/barriers to the success of your organization?



Another high and ongoing internal concern that significantly overlaps with the infrastructure-related challenges noted above is cost structure that is inflexible and hard to scale (41%).

The main takeaway here is that flexibility in all aspects of business—including cost structure, assets, and digital/physical infrastructure—is crucial to success in today's marketplace and is something every company should be actively pursuing.

Interestingly, this year's survey shows reduced concern about the two internal risks/barriers related to talent: changing employee preferences about work (e.g., increased remote work) (14%, down from 21% last year) and inability to attract/retain key talent (17%, down slightly from 18% last year). Although this is a major shift from a few years ago, .it is consistent with what we are seeing in the marketplace, with a prime example being the strong return-to-office push in both corporate and government settings.

03 Transformation triggers

A trend analysis of our survey results going back to 2023 highlights some dramatic shifts in the primary triggers for cost reduction and transformation (figure 5).

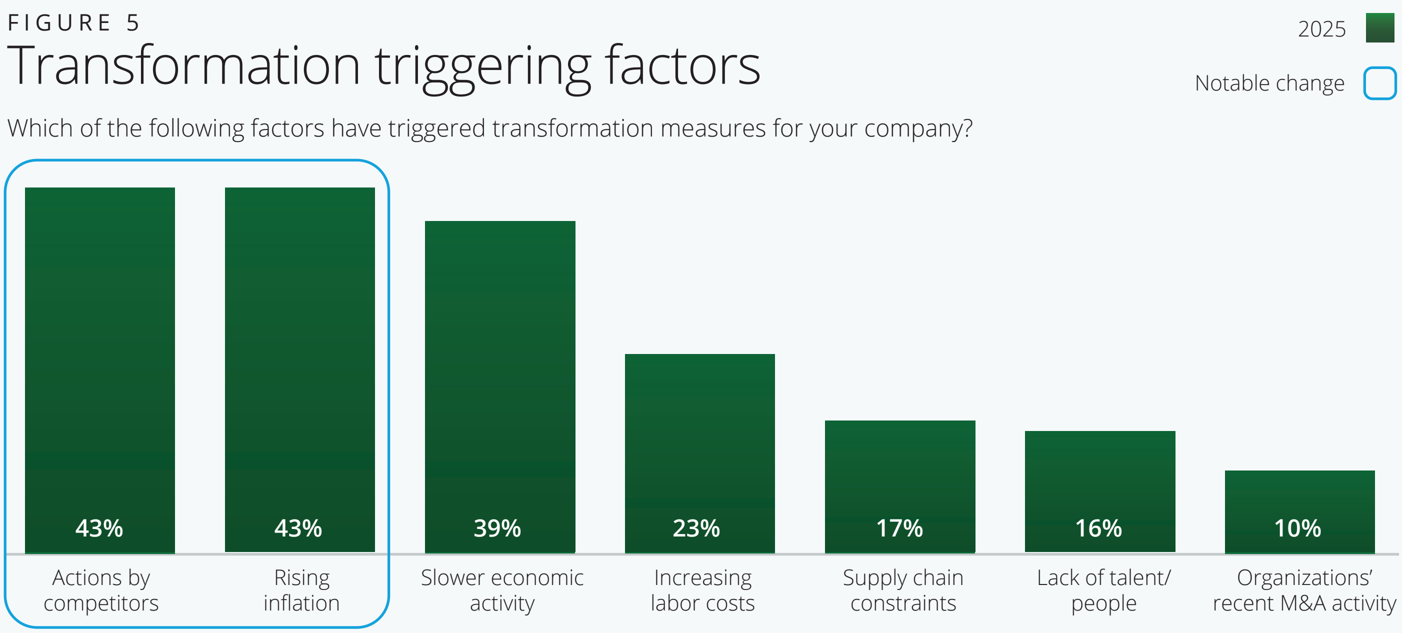
- In 2023, at the tail end of the global pandemic, lack of talent/people (43%) stood out as the biggest transformation trigger by far. Without enough people to get work done, companies had no choice but to become more efficient through transformation.
- In 2024, when the pandemic was completely under control, but its ripple effects were still looming large, inflation (52%) and supply chain constraints (32%) stood out as key transformation triggers, along with slower economic activity (34%). Meanwhile, lack of talent/people fell off dramatically to just 24%.

This year, the top four transformation triggers are actions by competitors (43%), rising inflation (42%), slower economic activity (39%), and increasing labor costs (23%). Among the companies surveyed, 75% have seen their transformation programs triggered by one or more of these four factors.

FIGURE 5

Transformation triggering factors

Which of the following factors have triggered transformation measures for your company?



Note that the No. 1 trigger, actions by competitors, was included for the first time in our 2025 survey. Its debut at the top of the list suggests many companies are keenly aware of what their competitors are doing, and that their own transformation efforts are often reactive in nature.

04

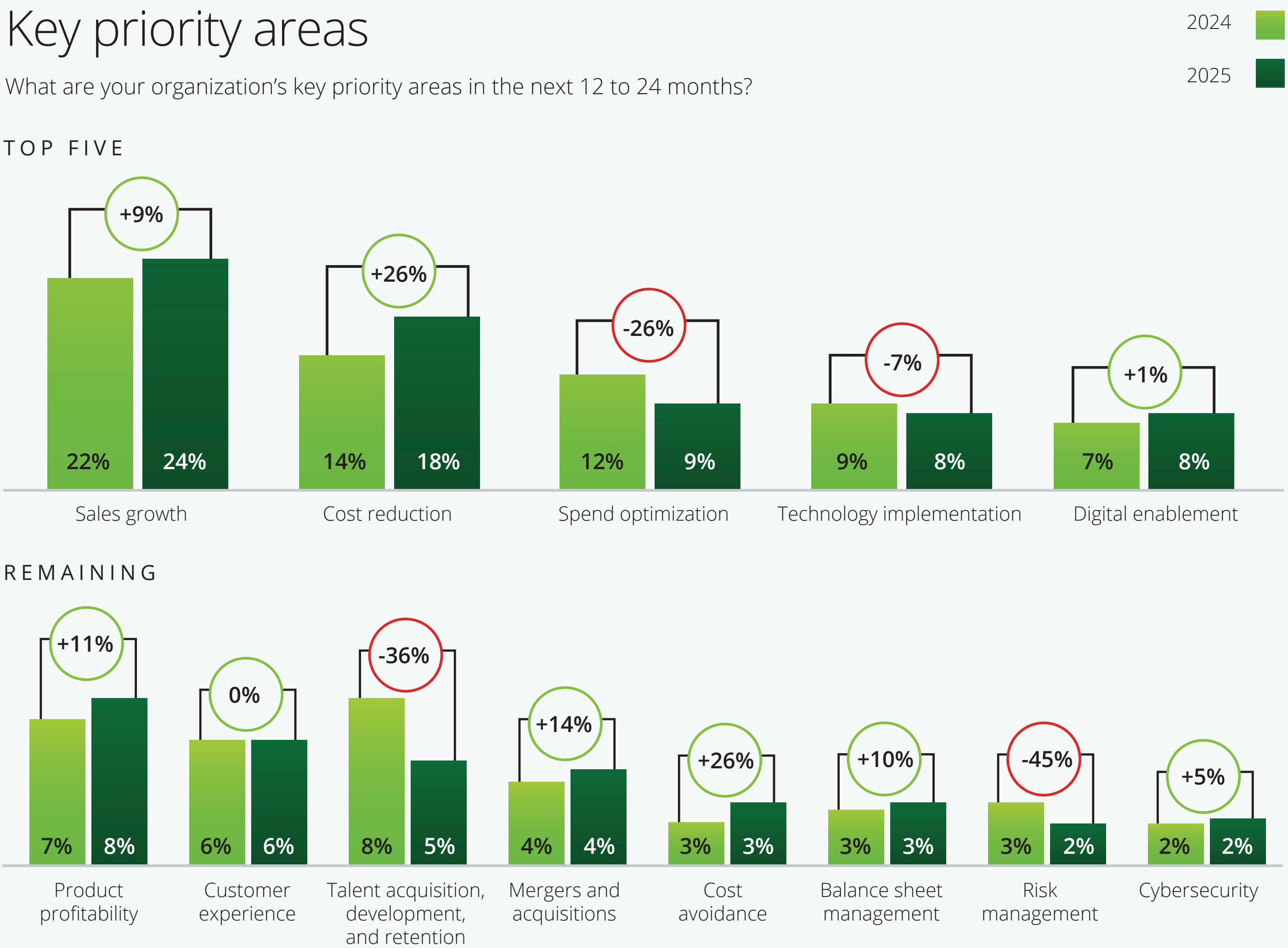
Cost reduction versus spend optimization

As usual, companies' top business priorities in 2025 are sales growth (24%) and cost reduction (18%) (figure 6). What's interesting is that cost reduction is up sharply as a priority since last year (from 14% to 18%—a 26% rise), while spend optimization is down sharply (from 12% to 9%—a 26% drop). Also, consistent with our earlier discussion about internal risks/barriers, talent acquisition, development, and retention is down even more (from 8% to 5%—a 36% drop).

FIGURE 6

Key priority areas

What are your organization's key priority areas in the next 12 to 24 months?



Cost reduction versus spend optimization

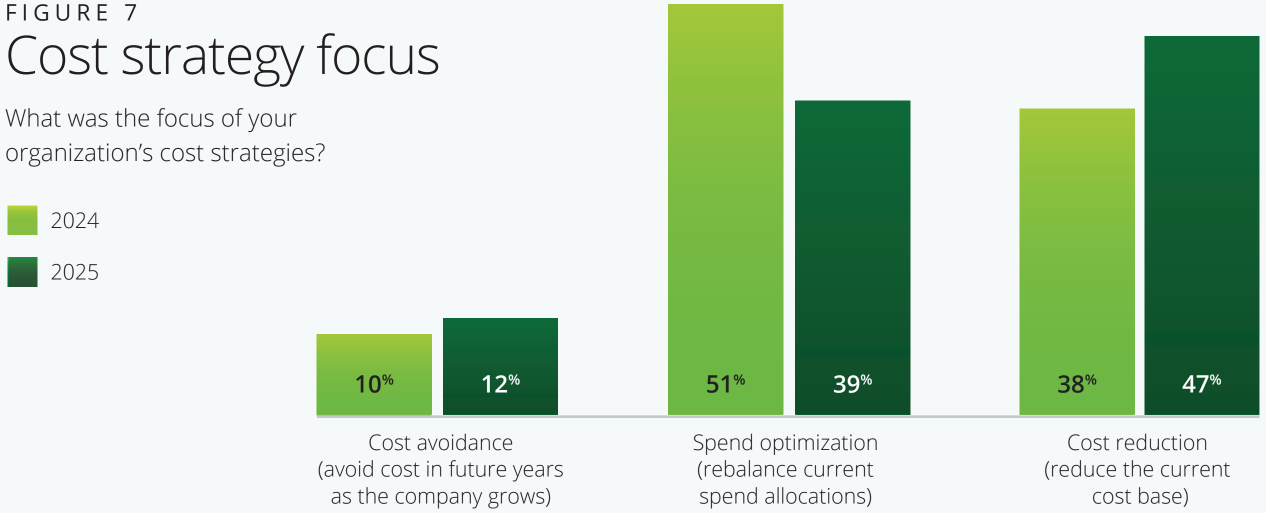
In periods of rapid and high growth, many companies can solve or mask their cost inefficiencies by growing revenue faster than costs—essentially outgrowing the problem. However, today's reduced growth expectations deliver a double hit, giving current cost inefficiencies no place to hide while potentially uncovering past inefficiencies that had previously been obscured. To address these issues, a growing percentage of companies are prioritizing cost reduction (reducing the cost base through hard-dollar cost reductions) over spend optimization (rebalancing spend allocations).

Since 2024, the focus on cost reduction has increased from 38% to 47% (a 22% rise), while the focus on spend optimization has decreased from 51% to 39% (a 23% decline).

FIGURE 7

Cost strategy focus

What was the focus of your organization's cost strategies?

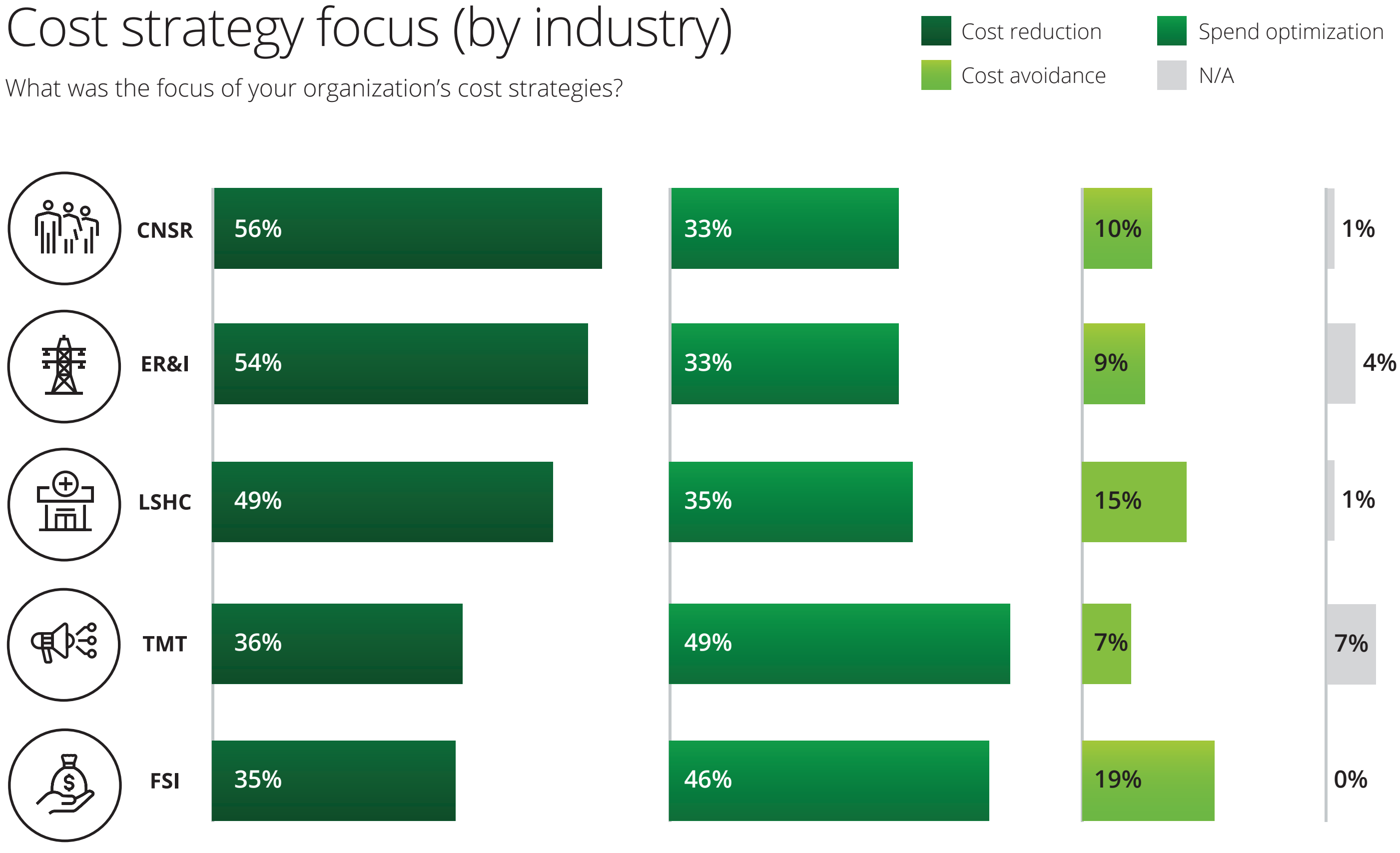


Breaking down our data by industry, TMT and FSI are the two major sectors that continue to emphasize spend optimization over cost reduction (figure 8). However, their focus could change to match other industries if their sharply reduced expectations for hyper-growth in excess of 20% (which we highlighted earlier) become a financial reality.

FIGURE 8

Cost strategy focus (by industry)

What was the focus of your organization's cost strategies?



Note: Row totals may not add up to 100% due to rounding.

05 Targeted actions

When it comes to cost reduction and transformation, focused effort is a key trend that carries over from last year. In 2025, the No. 1 way to pursue cost reduction continues to be targeted actions taken to reduce costs in a few divisions, business units, functions, or geographies (69%, up from 65% in 2024) (figure 9). Coming in at a distant second is driving all divisions, business units, and corporate functions to reduce a fixed percent of their costs (41%).

FIGURE 9

Actions to achieve cost results

Over the next 12 to 24 months, will your organization apply or implement the following actions to achieve cost results?

This emphasis on targeted actions instead of across-the-board cost-cutting reflects a more thoughtful, nuanced, and focused approach to cost reduction and transformation.

Not surprisingly, use of cognitive solutions such as AI and machine learning rose dramatically over the past year (from 22% to 35%) and will likely rise even further and faster in the future as those technologies continue their breathtaking advances and the market reaches critical mass (see "The role of AI in transformation and cost reduction").

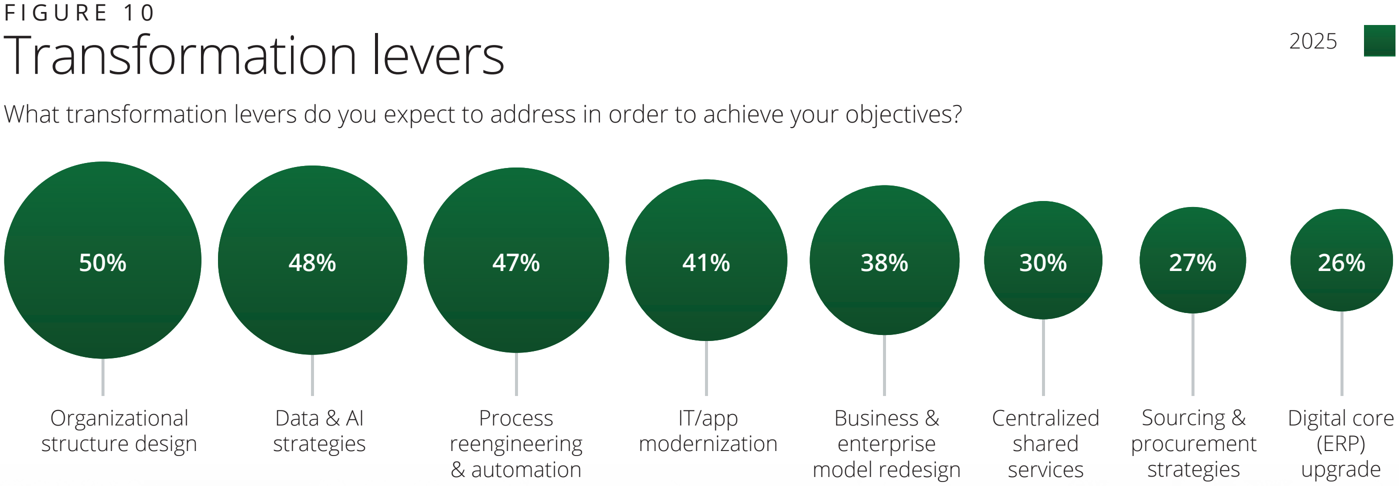
Transformation levers

The top levers for achieving transformation are organizational structure design (50%); data and AI strategies (48%); process reengineering and automation (47%); and IT/app modernization (41%) (figure 10). According to the survey results, 93% of companies are using at least one of these four levers to drive transformation in their business (up from 89% in 2024). Note that all four levers complement each other, helping to take cost out and keep it out. Also, the average number of levers that respondents expect to address is down sharply from seven in 2023 to just three in 2024 and 2025, highlighting how companies are becoming more focused in their transformation efforts.

FIGURE 10

Transformation levers

What transformation levers do you expect to address in order to achieve your objectives?



06

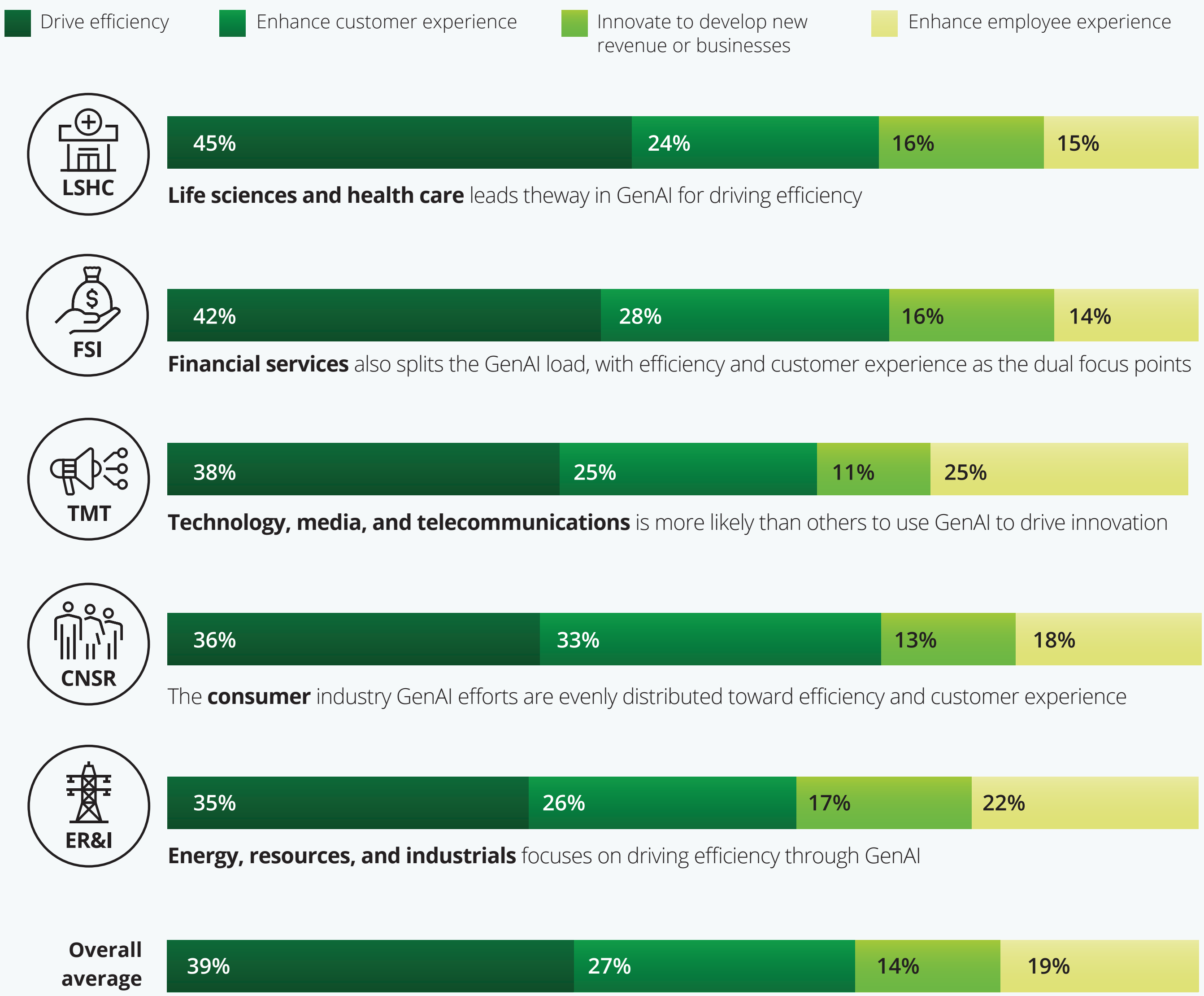
The role of AI

Today, every company is using GenAI in one way or another. The most common purpose is to drive efficiency (39%), saving companies money and helping them do more with less. However, a closer look at the survey results shows an even greater emphasis on growth, with the growth-oriented purposes of enhance customer experience (27%) and innovation (19%) adding up to a combined rate of 46% (figure 11).

FIGURE 11

Purpose of GenAI within organizations

What is the purpose of AI/GenAI in your organization?



These results parallel our survey findings about key priority areas, which identified sales growth as the No. 1 priority and cost reduction as the No. 2 priority (figure 6).

Companies are pursuing growth by using GenAI to serve customers more effectively—not just more efficiently—and to deliver a high-quality customer experience. They are also using GenAI to enable innovative, new products, services, and business models that can boost their revenues and help them expand into new markets.

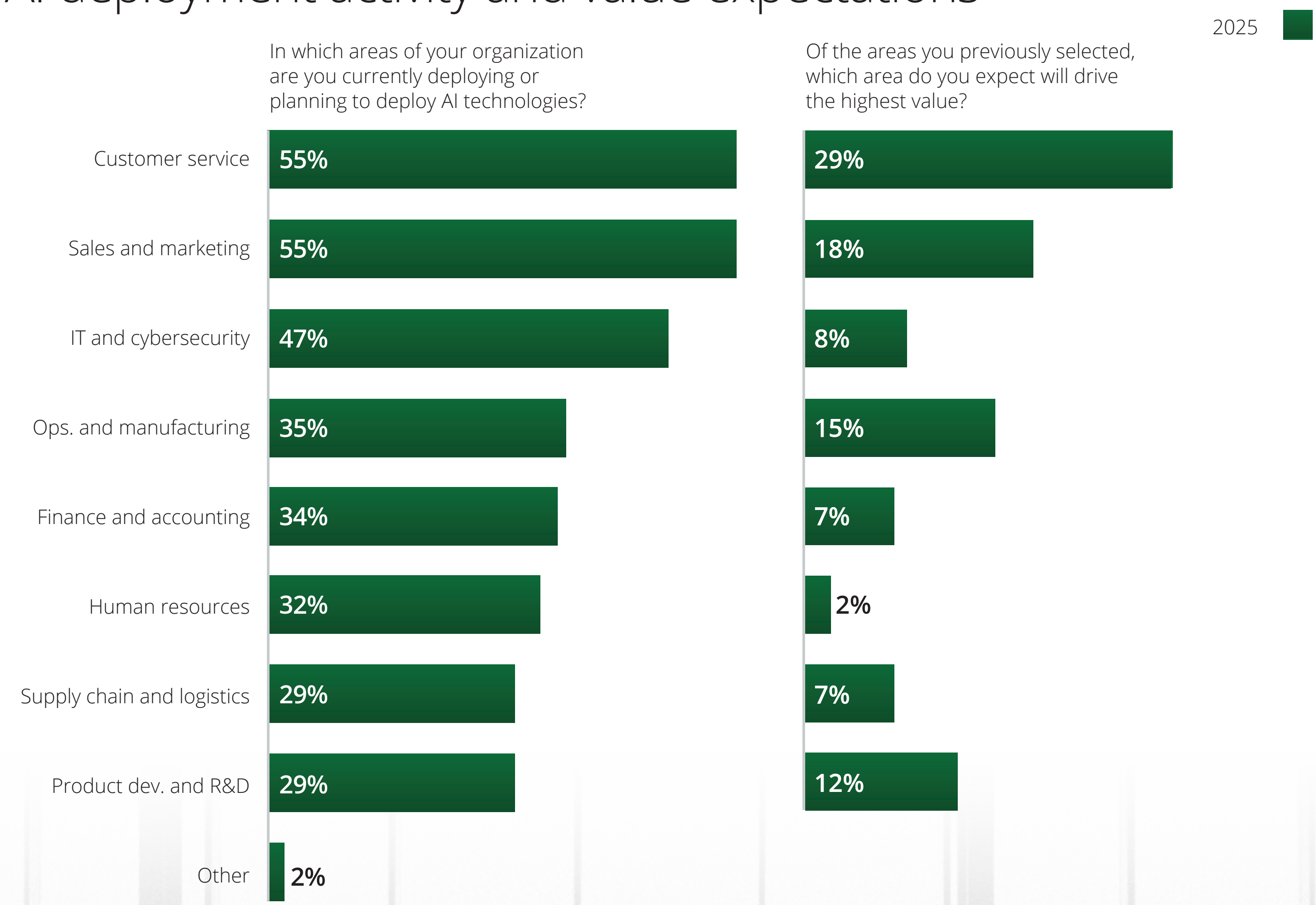
At the same time—with overall growth expectations moderating in the near term—companies are using GenAI to boost efficiency and reduce costs through process automation and general productivity tools.

Not surprisingly, companies in TMT lead all other sectors when it comes to using GenAI for innovation (25%). Meanwhile, consumer companies lead the way on using GenAI to enhance the customer experience (33%), and companies in life sciences and health care lead the way on using GenAI to drive efficiency (45%).

The functional areas where AI is most often being deployed are customer service (17%), sales and marketing (17%), and IT/cyber (15%). However, some functional areas are expected to derive more value from AI than others. One area that really stands out in this regard is customer service (29%). Operations and manufacturing is another functional area where value expectations (15%) notably exceed deployment activity (11%) (figure 12).

FIGURE 12

AI deployment activity and value expectations



Note: Row totals may not add up to 100% due to rounding.

According to our survey, responsibility for a company's AI strategy most often falls on the IT organization (36%) or digital function (28%). However, a surprising percentage of companies (20%) have assigned responsibility for AI strategy to the transformation organization, underscoring the expected importance of AI for future transformation efforts.

Looking ahead, it's likely that companies will continue integrating AI into their technology portfolios—and will expect it to deliver significant value. However, they will likely face a number of key challenges. As always, cost is an important issue, especially given the high levels of investment that AI technology and infrastructure are likely to require. Talent is another perennial issue. Although talent concerns have declined in a broader context, finding the specialized talent to develop AI solutions and foster AI adoption will likely continue to be uniquely challenging.

More than anything else, however, data quality/availability will likely generally be the biggest constraint to successful AI implementations as companies wrestle with inflexible legacy systems and technology infrastructures that are incapable of feeding notoriously data-hungry AI models.

07 Failure rates and keys to success

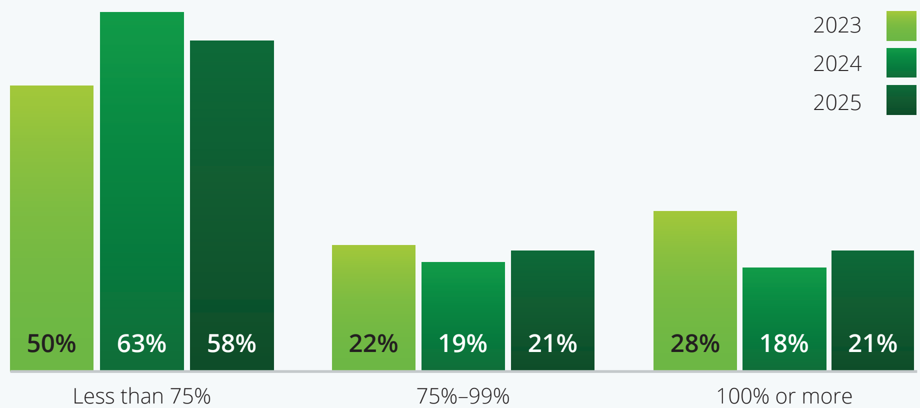
Failure rates for cost reduction and transformation programs remain high, with the vast majority of companies (79%) failing to achieve their targeted cost savings (figure 13). This failure rate is slightly lower than in 2024 (82%), but much worse than in 2023 (72%). Conversely, the percentage of companies that successfully achieved 100% or more of their targeted cost savings improved slightly from 18% in 2024 to 21% in 2025, but for both of those years the level of success was much lower than in 2023 (28%). What's more, most companies (58%) fall far short of their cost reduction goals, achieving less than 75% of their targeted savings.

FIGURE 13

Realized target savings

(% trend across three years)

What cost savings results did you achieve relative to your target in the last fiscal year?



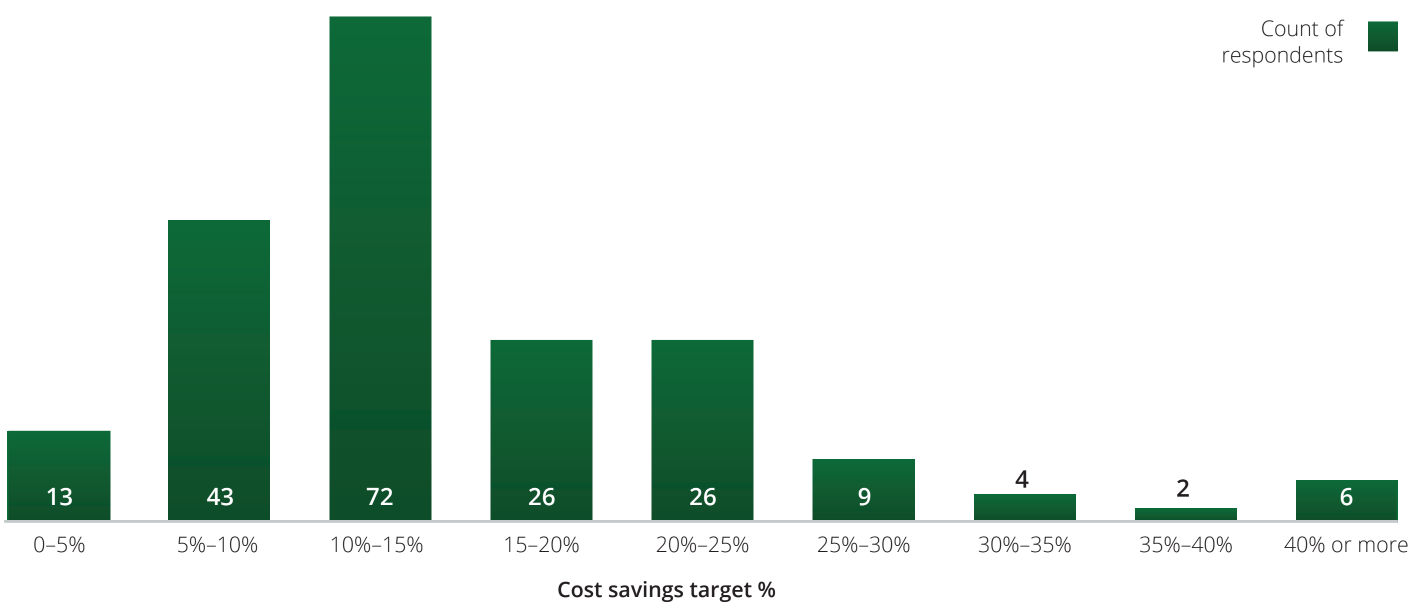
Ironically, companies that succeed in achieving their cost objectives tend to have more aggressive targets than unsuccessful companies (e.g., the average savings target for successful companies is 16.0% versus an average savings target of 13.6% for unsuccessful companies). As such, success can't be attributed to having a lower bar to clear (figure 15).

FIGURE 14

Cost strategy target

(% of the total actionable cost baseline of your cost program)

What was your stated cost strategy target for your initiatives?



Keys to success

What does the data tell us when we compare results across successful companies versus unsuccessful companies at achieving their cost results? That it may not be entirely about *what* companies are doing, rather *how*. In analyzing the data, we have found limited correlation between the companies' success and the levers they pull, the size of their reduction targets, the risks they face, or the triggers to their transformation efforts. However, there are lessons around *how* companies are achieving their goals.

Lessons learned

As companies gain experience with cost reduction and transformation, they start to learn what works and what doesn't (figure 15). According to this year's survey results, the top four lessons learned continue to be:

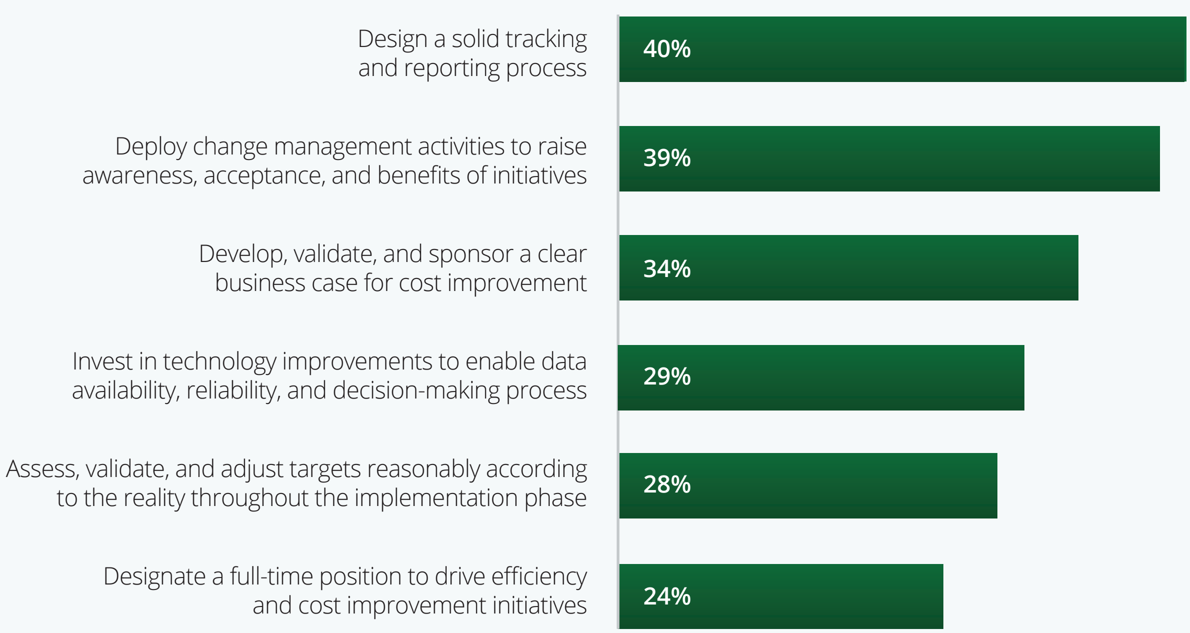
01	02	03	04
Design a solid tracking and reporting process	**Deploy** change management activities to raise awareness, acceptance, and benefits of initiatives	**Develop, validate, and sponsor** a clear business case for cost improvement	**Invest in technology improvements** to enable data availability, reliability, and decision-making process

FIGURE 15

Lessons learned

2025

Please rate the top lessons learned from cost initiatives in your organization.



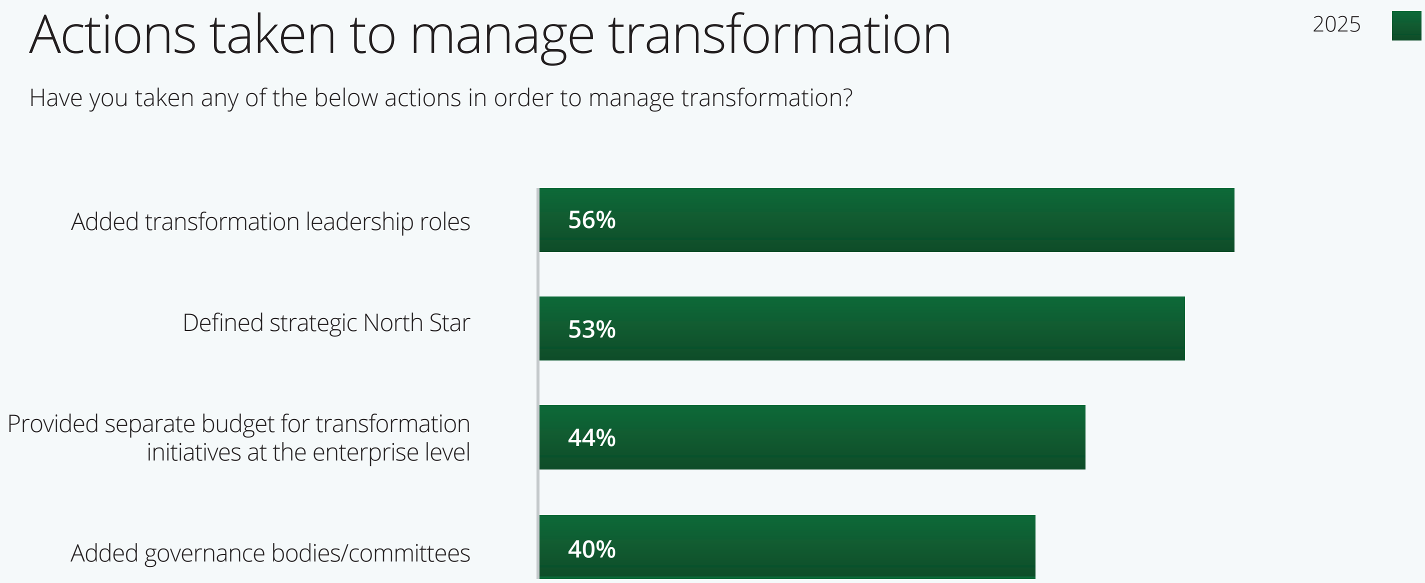
However, over the past year, a growing number of companies learned the importance of investing in technology improvements to enable data availability, reliability, and decision-making (from 23% to 29%). Similarly, a growing number of companies learned the importance of designating a full-time position to drive efficiency and cost improvement initiatives (from 20% to 24%).

With regard to specific actions companies are taking to manage their transformation more effectively, the most noteworthy trend is a dramatic increase in the percentage of companies defining a strategic North Star (53%, up from 50% in 2024) (figure 16). And the number is even higher among successful companies (58%, versus 55% for unsuccessful companies).

FIGURE 16

Actions taken to manage transformation

Have you taken any of the below actions in order to manage transformation?



Based on our organization's experience working with clients in every industry and geography, we see companies making three common mistakes when pursuing cost reduction and transformation:

- **Underinvesting in program infrastructure.** Cutting spend on program infrastructure (e.g., transformation management office, compliance and controls, value capture) might seem like a fast and easy way to reduce a program's overall cost. However, without this solid foundation, programs often suffer from inconsistency, lack of accountability, and excessive risk—all of which can end up costing a company far more than it saved.

- **Thinking technology alone will drive savings.** Technology implementation can be a big investment. However, technology alone will not deliver maximum efficiency and cost savings. Achieving the expected benefits requires many other elements—including process transformation, change management, and employee training—to change how work actually gets done.

- **Losing discipline in the middle.** Many cost reduction and transformation programs are multi-year journeys that start with a lot of momentum and quick wins. However, in the middle years, when all quick wins are completed and the challenges grow more complex, many programs lose focus and fizzle out. To avoid this fate, it's important to follow a disciplined, structured approach that keeps everyone focused and moving in the same direction toward the same end goal.

Ultimately, success hinges on execution. Companies need to start with a robust program infrastructure, then have the discipline to see programs through to the finish line. They also need to invest in technology—without treating it as a magic cure-all. Unless companies also invest in the necessary related improvements to processes and people, much of the potential cost savings from implementing technology will likely be unrealized or unsustainable.

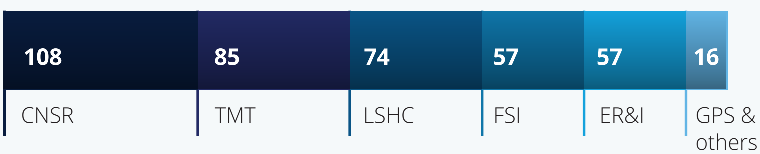
About the study

This year's global survey on cost reduction and transformation included 397 high-level executives from a broad range of industries and geographies. Data was collected through detailed online and telephone surveys conducted between September and November 2024.

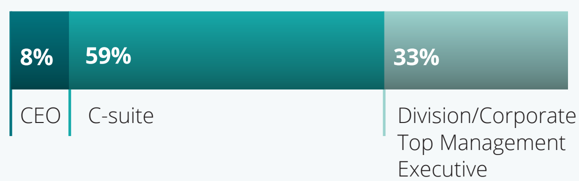
Study objectives:

- Understand factors, approaches, actions, and targets related to cost initiatives
- Assess the effectiveness of the cost actions, including lessons learned from previous efforts
- Understand the drivers and scope of future cost initiatives
- Provide context on how digital transformation (including AI) is affecting cost management
- Assess industry results and provide insights on different behaviors related to cost reduction

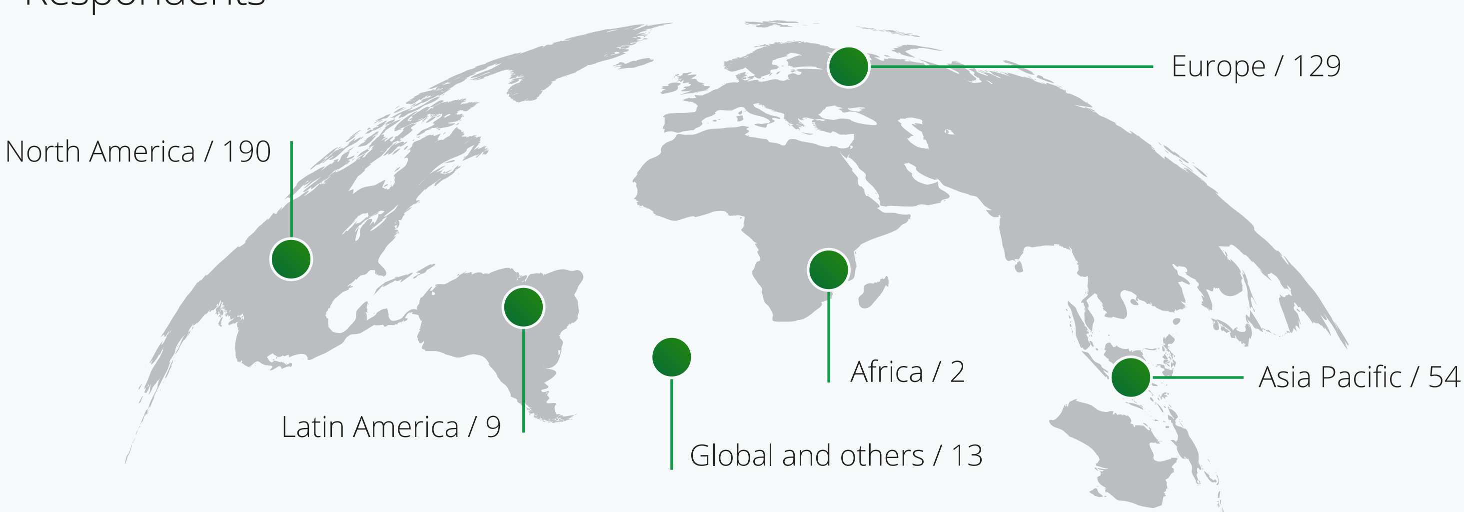
Industry[1]



Executive levels[2]



Respondents



1. CNSR: consumer products, retail, wholesale and distribution, automotive, transportation, hospitality and services; TMT: technology, media and entertainment, telecommunications; LSHC: life sciences, health care; FSI: banking and capital markets, insurance, investment management, real estate; ER&I: oil, gas and chemicals, power, utilities and renewals, industrial products and construction, mining and metals; GPS: government and public services
2. Other division/corporate top management executive includes employees who are not in the C-suite.

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