

## Right-sizing your cost base for COVID-19

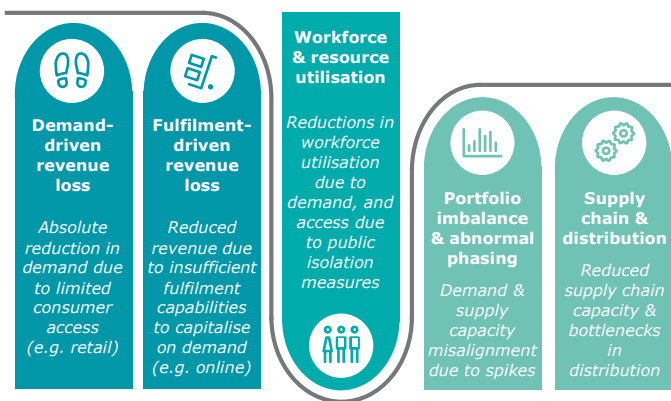
### Rapid cost re-calibration solution to maintain business continuity

The unprecedented rise of COVID-19 and subsequent government measures are triggering immediate P&L impacts on businesses across the world. Public social distancing obligations and guidelines are translating into various effects on business depending on the segment – demand-driven revenue losses, fulfilment-driven revenue losses, abnormal revenue phasing, portfolio imbalances and reduced workforce utilisation.

Businesses are rapidly left with a cost base, both direct and indirect, that requires immediate right-sizing to fit the interim shape and size of their portfolio's performance. This unprecedented right-sizing requires tailoring like no other – this is not solely an accelerated 'cost reduction' exercise, but one that demands cost- and resource-flexibility by design, enabling businesses to rapidly bounce back on the return of regular trading conditions.

Our cost performance and right-sizing team has worked under comparable conditions to those faced by a number of businesses today – immediate loss of significant contracts, immediate demand-erosion, fulfilment restrictions and supply chain shortages. We understand the pace and flexibility required.

#### Assess and define the impact on your value chain



#### Identify key processes & resources for right-sizing

Key processes & costs for immediate assessment		Take action
Leadership & Strategy	Develop Vision and Strategy	1 Stop spend in specific areas
	Develop and Manage Products, Services & Capability	
	Acquire, Construct, and Manage Assets	
Front Office	Market and Sell Products and Services	2 Reduce spend to scale interim business
	Deliver Services	
Supply Chain & Production	Manage Customer Service	3 Re-allocate spend for productivity
	Deliver Physical Products	
	Manage Supplier, Distributor & 3 <sup>rd</sup> Party Relationships	
Support Functions	Acquire and Manufacture Products	
	Develop and Manage Human Capital	
	Manage Technology Infrastructure	
	Manage Financial Resources	
	Manage Risk, Compliance, Remediation, and Resilience	
	Manage Footprint & Real Estate	

#### How our approach can help you respond and inform your stakeholders

- How rapidly can we address and impact our cost base?**

  - Assess activities to stop immediately – many activities will not be required during this period due to change in business demand.
  - Re-assess how to conduct middle and back office activities – identify key activities and assess how best to service them: Re-allocate and re-purpose existing workforce based on assessment and interim requirements. Make the relevant changes if required.
  - Scale-down activities related to long-term contracts – where multi-year asset leases, real estate contracts and other contracts exist, eradicate all associated servicing and utilisation spend, furthermore, where possible re-allocate or re-purpose for revenue generation.

**How can we deliver right-sized business continuity?**

  - In short-term, prioritise existing contracts and live customers over new business
  - Define your revenue-critical population – focus on retaining and enabling FTE that are critical to ~80% of your re-forecast revenue and fulfilment: client relationship owners, key sales personnel, client service, manufacturing and distribution (where applicable).
  - Identify best practice cost performance and right-size to adjusted revenue forecast – identify functional and/or process costs as proportion to revenues for comparator businesses, and scale proportionally to revised revenue forecast. A number of costs may reach a point where loss of scale will require entirely new ways of working to drive cost down.

**Are we sufficiently flexible to capitalise when trading conditions resume?**

  - Interim operating model must enable rapid scaling – revised resourcing, operating structures and processes must be modular to ensure that all segments of the value chain can be flexed individually to manage cost, e.g. rapid scale-up in front office should not be hindered by Finance or HR capacities.
  - Assess outsourcing and contractor models – external capacity will enable rapid scale-up when demand is unlocked to capitalise on market opportunities.

#### Your local Contacts



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