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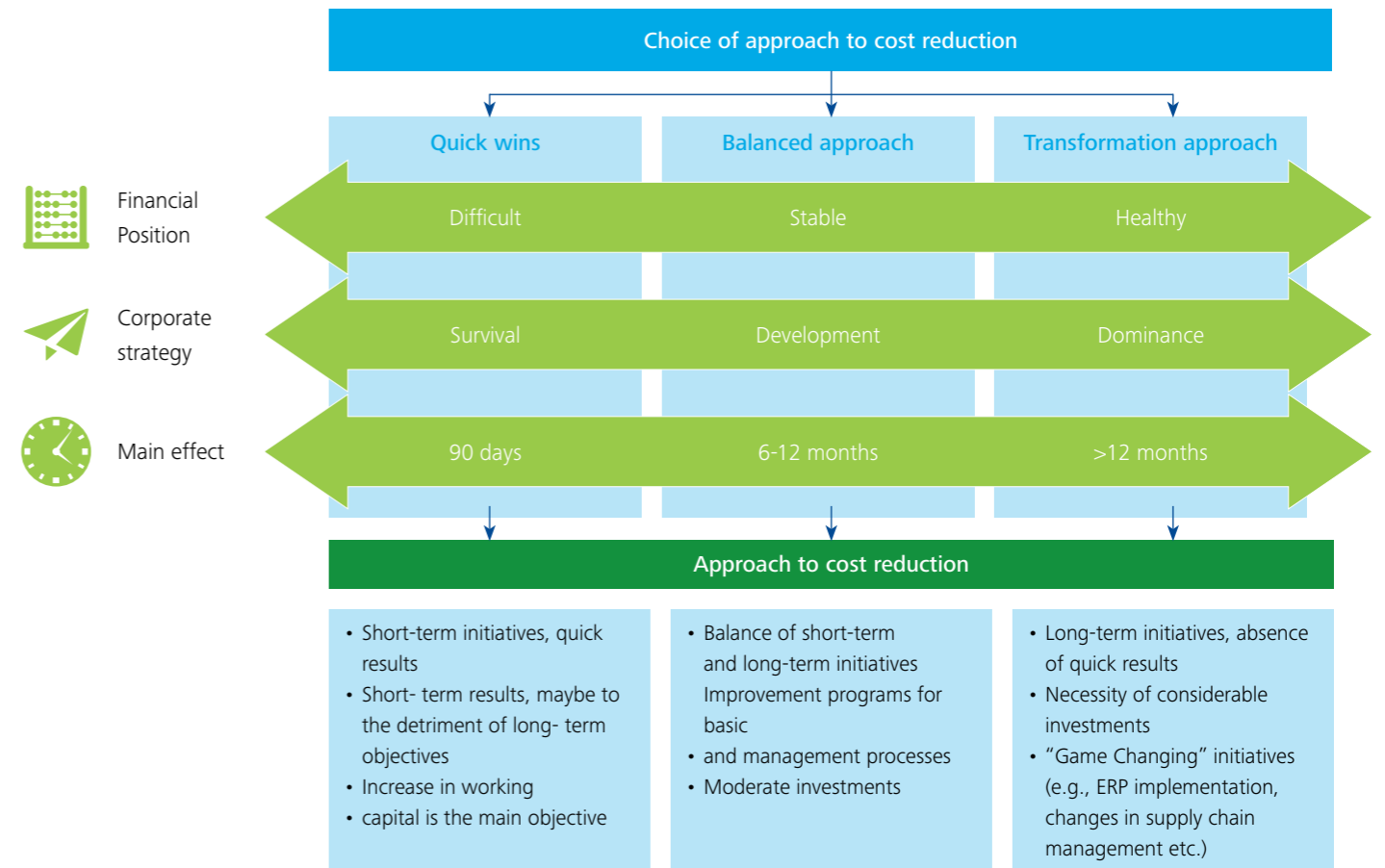
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Cost cutting in a company. Methodology and tools

Purposes of cost reduction

- Improve financial results including cash flow and profit
- Respond to negative macroeconomic and market changes, reduce business marginality
- Implement cost leadership strategy
- Prepare the company for significant changes
- Prepare and launch a system for continuous improvement

Which approach to cost reduction can be used?



What is a Cost Reduction Program?

A Cost Reduction Program is a complex of short-term and long-term cost reduction initiatives. Each initiative is based on an analysis of the company's operations, best practices and benefit assessments. The program should necessarily include initiative implementation planning, taking into account their interrelations and specifics of the company.

1. Assessment of cost reduction potential

Затраты, млн руб.	Категории затрат											Итого	Доля в общих затратах
	Производство	Логистика	Сбыт	Маркетинг	Закупки	ИТ	Услуги персоналу	Бухгалтерский учет	Финансы и административные	АХО	Итого		
ДО 1	340	203	181	115	26	294	328	93	21	20	1687	XX%	
ДО 2	163	23	78	28	14	95	151	12	23	10	679	XX%	
ДО 3	122	43	20	153	6	104	76	5	10	10	704	XX%	
ИТОГО	826	284	422	316	51	553	696	291	54	46	3792	XX%	
• OPEX	0	0	0	0	0	532	198	10	33	43	1125	XX%	
• CAPEX	818	145	54	68	35	21	295	220	22	3	1700	XX%	

● эффективное управление процессом ● потенциал для повышения эффективности ● низкая эффективность

1 Analysis of the cost structure

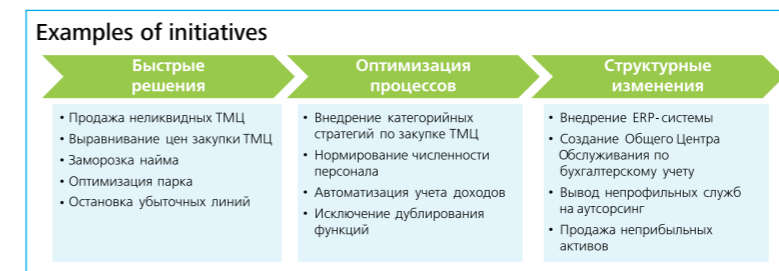
- Analysis of the general structure of costs, costs by object, and types of activity
- Analysis of cost drivers



3 Assessment of cost reduction opportunities

- Determination and structuring of opportunities
- Assessment of cost reduction potential

2. Development of a cost reduction program



4 Development of initiatives

- Detailed analysis of problem areas including:
 - questionnaire survey
 - analysis of detailed data
- Development, assessment and categorization of initiatives

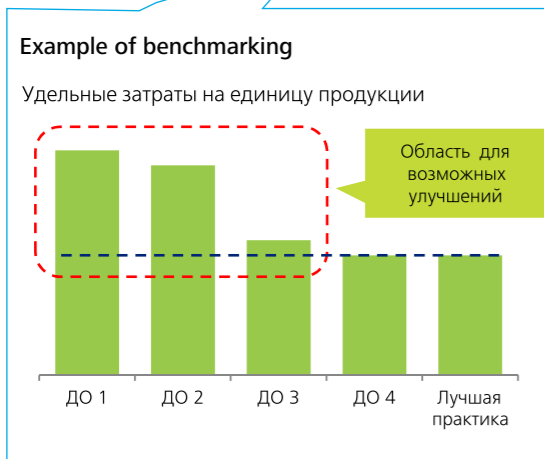
6 Testing and coordination

- Discussion and coordination of initiatives and business cases with managers
- Adjustment of initiatives and business cases after discussion



2 Benchmarking and analysis of best practices

- Internal and external benchmarking of unit indicators
- Analysis of best practices of process organization



Examples of indicators for benchmarking

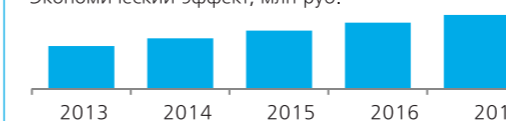
Энергетика и добывающая промышленность <ul style="list-style-type: none"> • Затраты на подъем жидкости • МРП скважин и оборудования • Стоимость выработки 1 кВт э/э 	Высокие технологии, телекоммуникации и СМИ <ul style="list-style-type: none"> • Затраты на 1 абонента • Затраты на обслуживание 1 базовой станции • Прибыль на точку продаж
Банки и финансовые институты <ul style="list-style-type: none"> • Отношение операционных расходов и доходов (Cost to income) • Прибыль на 1 отделение • Прибыль на 1 сотрудника 	Потребительский сектор и транспорт <ul style="list-style-type: none"> • Затраты на 1 SKU • Затраты на 1м² торговой площади • Стоимость обработки 1 пассажира • Затраты на единицу транспорта
Управление закупками и запасами <ul style="list-style-type: none"> • Оборачиваемость запасов • Стоимость тендерных процедур • Утилизация складов 	Бэк-офис <ul style="list-style-type: none"> • Доля АУП в общей численности • Доля административных затрат в общих затратах • Производительность бухгалтерии по участкам учета

5 Calculation of business cases and estimation of effects

- Detailed calculation of the effect of initiative implementation
- Assessment of required investments
- Development of detailed implementation plan

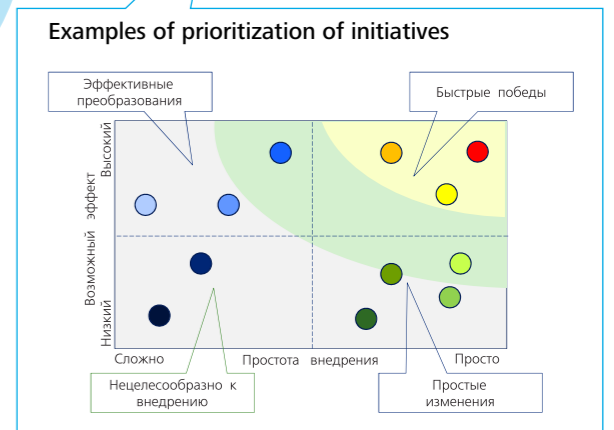
Example of business case

- Проблемная область**
- Высокая численность персонала торговых точек в Северо-Западном регионе
- Предлагаемое решение**
- Приведение численности персонала к нормативам
- Экономический эффект, млн руб.**

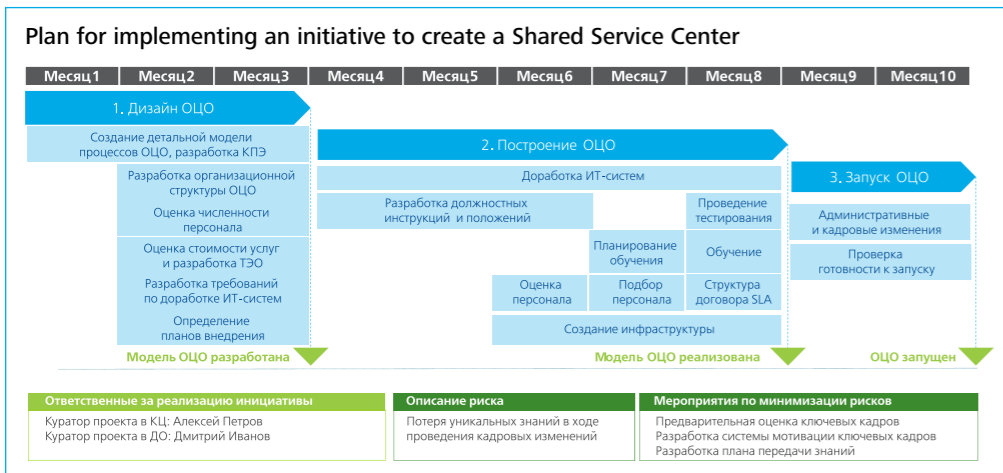


7 Prioritization

- Prioritization of initiatives



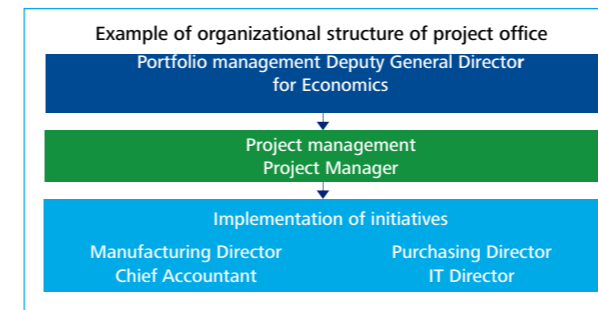
3. Preparation for implementation of a cost reduction program



8 Development of an implementation plan for each initiative

- Development of a detailed plan of events
- Identification of contractors and persons responsible for each stage of initiative implementation
- Identification of key risks and measures for their mitigation

4. Program implementation



11 Implementation of the cost reduction program

- Control of objectives and of the schedule for project realization
- Control of adjusted operation indicators
- Implementation of a communications plan concerning the initiatives and overall program

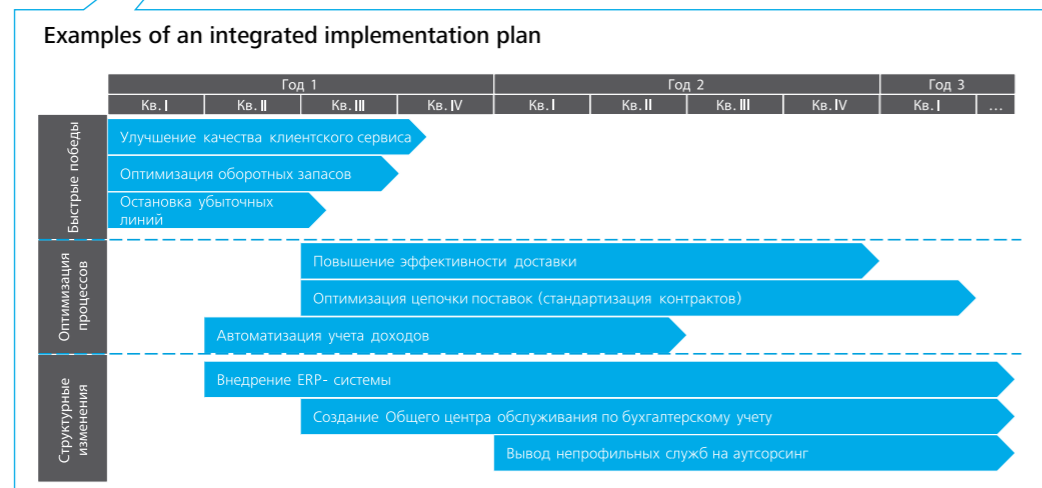
10 Organization of program management project office

- Development of project
- office structure and approach to the implementation of the program
- Development of a communication plan
- Development of a process to control deadlines and results of initiatives implementation
- Launching program implementation



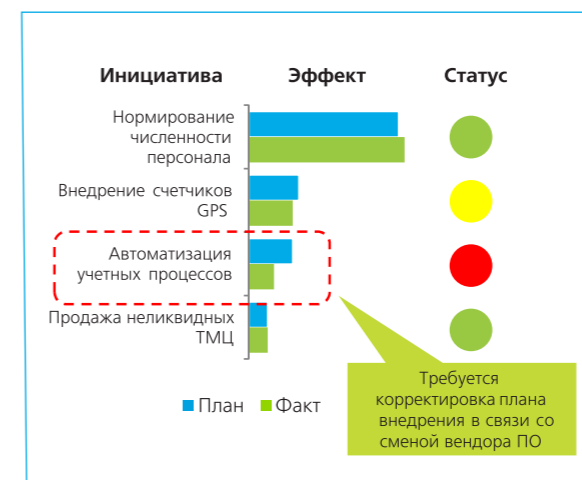
9 Development of an integrated plan for implementing the cost reduction program

- Determination of the priority and schedule of initiative implementation
- Development of an integrated plan for cost reduction program implementation



12 Assessment of efficiency

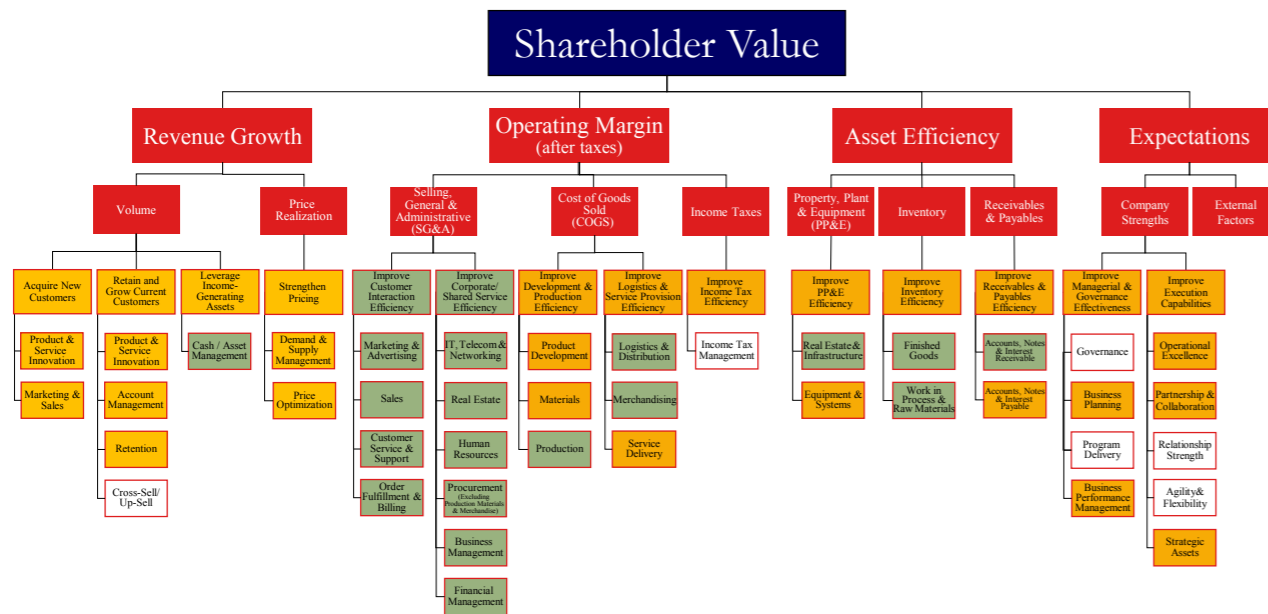
- Evaluation of economic impact from cost reduction
- Preparation of project status reports for managers
- Validation of accomplishment of project objectives



Examples of Deloitte tools

Deloitte Value Map

The Deloitte Value Map adapted for cost reduction projects contains a full range of prioritized cost drivers. Use of the Deloitte Value Map guarantees a complete analysis of possible directions for cost reduction.



Library of reference business processes models Deloitte IndustryPrint™

The library of reference business processes models, Deloitte IndustryPrint™, contains a description of best practices of process organization in different spheres. Its use helps to identify cost reduction opportunities by optimizing business processes.

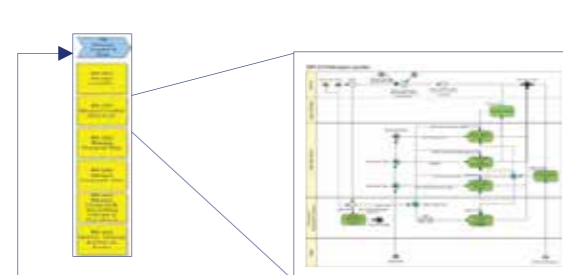
Operational processes group

– Level 1



Processes group

– Level 2



Process

– Level 3



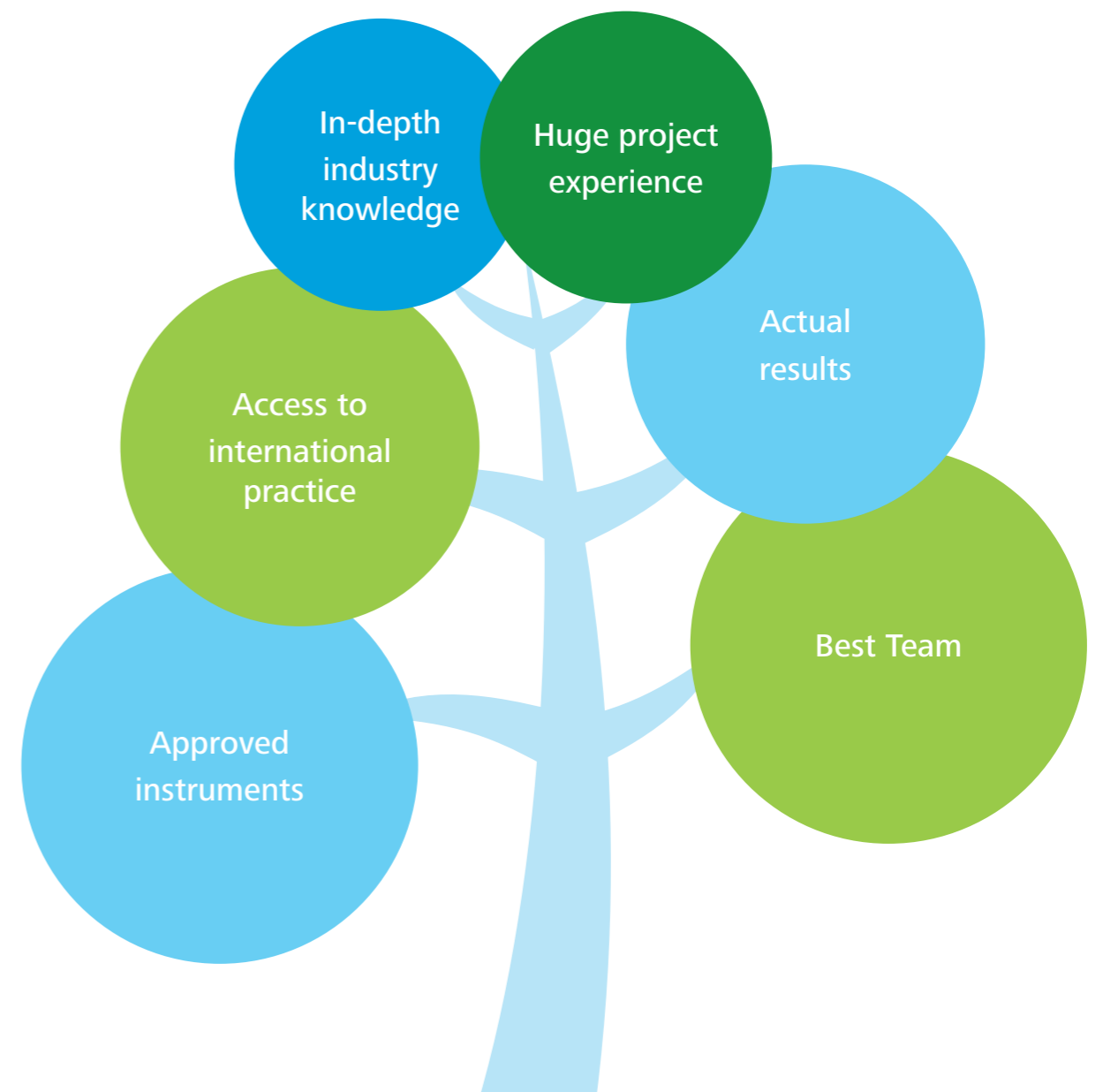
Catalogue of hypotheses for cost reduction

On the basis of considerable project experience, we have developed a catalogue of hypotheses for cost reduction opportunities in different spheres and functional areas. Use of the catalogue considerably reduces the time needed for analysis and development of cost reduction initiatives.

The table lists various hypotheses for cost reduction, organized by sphere and functional area. It includes columns for the hypothesis description, its potential impact, and its current status.

Why Deloitte?

We are sure that Deloitte will become a reliable partner in cost reduction projects as well as projects for enhancing business efficiency



About Deloitte

Deloitte in the CIS



- Deloitte has 18 offices in Russia and in the CIS countries. Approximately 3000 professionals work in the CIS countries,
- And about 1500 in the Moscow office.
- We are currently the fastest growing professional services firm in the CIS market.
- Our firm provides services in the following areas:
 - audit;
 - consulting;
 - finance advisory;
 - tax and legal.
- We work as one team and provide our clients with services of the highest quality.



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