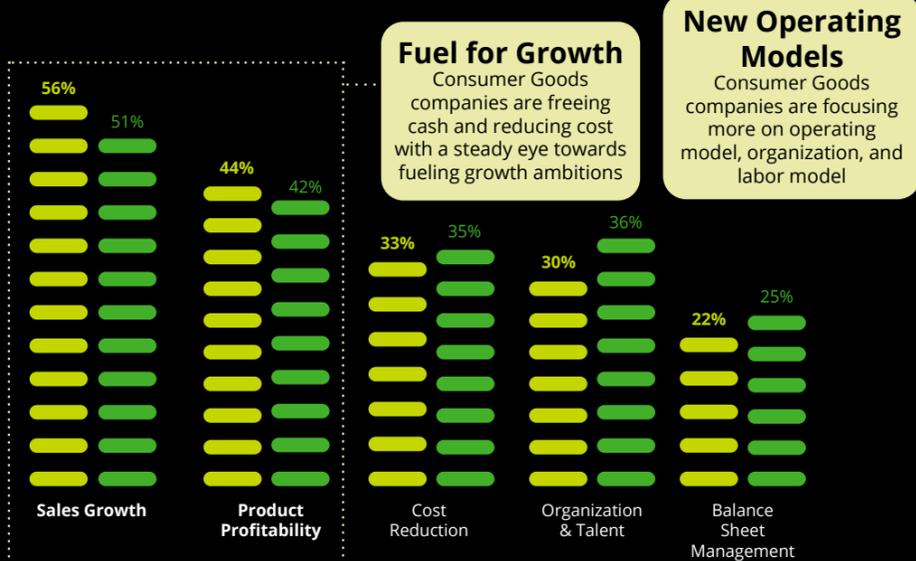


Zero-Based Budgeting (ZBB) What works and what doesn't...

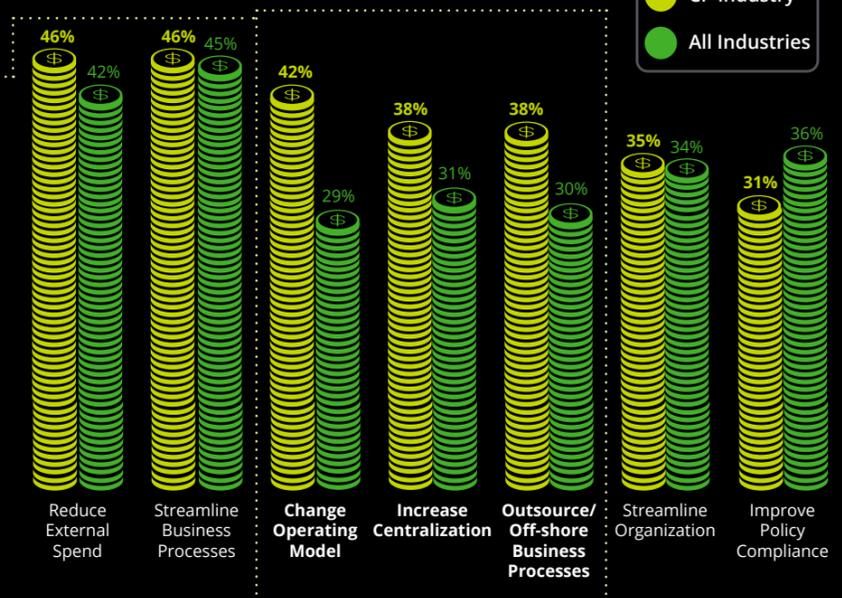


Consumer goods industry — thriving in uncertainty
Need to simultaneously focus on growth, cost, liquidity, and talent to thrive in uncertainty

Strategic priorities in the next 24 months



Cost activities likely in the next 24 months

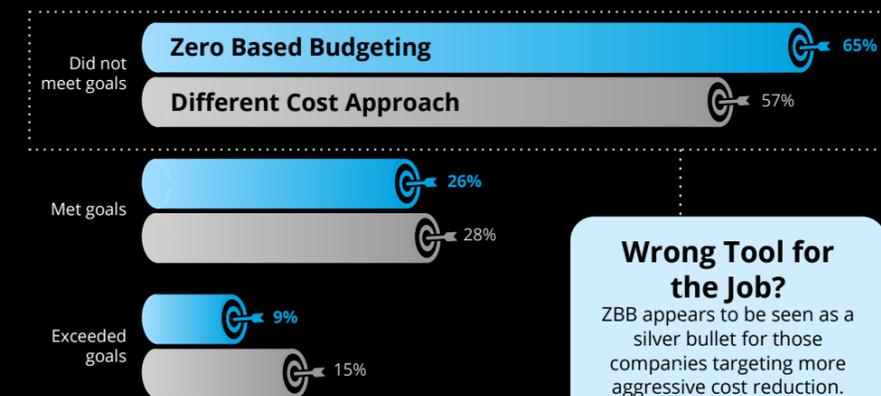


Source: Deloitte's fourth biennial cost survey, April 2016



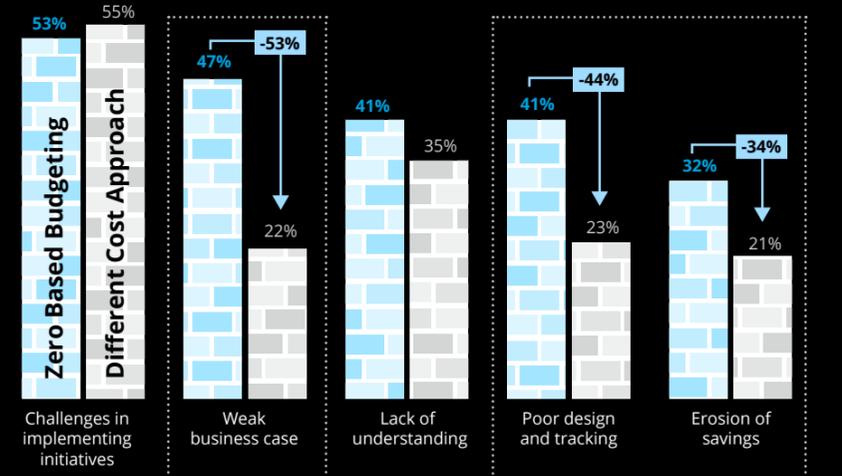
ZBB — the good, the bad and the ugly
What works well and how to improve the ZBB approach

Success in meeting cost targets



Wrong Tool for the Job?
ZBB appears to be seen as a silver bullet for those companies targeting more aggressive cost reduction. **59%** of these companies had targets greater than **20%** yet nearly two thirds did not meet those targets

Barriers to effective cost reduction



Weak business case that leads to **unrealistic goals** is one of the main barriers

Poor design of the ZBB program leads to **unsustainable cost savings**



ZBB and beyond
Seven ways to be more successful with ZBB and thrive in uncertainty



Align ZBB initiatives to business strategy

Dedicated Executive Oversight

32% of companies surveyed created a dedicated executive position to oversee cost reduction

Fuel for Growth

Only **34%** of executives believe the reinvestment of cost savings is aligned with business strategy



Get to meaningful cost savings faster

From Tactical to Structural

63% of planned cost initiatives are tactical (e.g., reduce external spend) — Focus on more strategic approaches such as reconfiguring the operating model

Accelerated, Data Driven Process

52% of companies surveyed complained about the long ZBB process — accelerate and inform the cascade of achievable objectives with advanced analytics and tools



Create sustainable solutions by focusing on capabilities

Next Gen Operating Model Changes

42% of Consumer Goods companies plan to change their operating model — focus on creating a more agile operating model enabled by digital, analytical, and technological innovations and supported by the right management model and culture

Cross-Functional Focus

Move from a siloed ZBB approach, focusing on functions to a cross-functional approach that is driven by capabilities

Measurement and Incentives

Create a closed-loop objectives/ measurement system to drive the right behavior and focus at the individual level