Thriving in uncertainty
Margin improvement in the age of digital disruption

Given unprecedented times of uncertainty, Deloitte has developed a new perspective on margin improvement to help companies thrive.

Today’s environment is making it harder for companies to thrive

Corporate profit growth has stagnated since 2012

<table>
<thead>
<tr>
<th>Time to a billion dollar valuation²</th>
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<tbody>
<tr>
<td>Year</td>
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<tr>
<td>------</td>
</tr>
<tr>
<td>2009</td>
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<tr>
<td>2011</td>
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<tr>
<td>2012</td>
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Digital disruption helps allow the rapid ascension of new competition and the convergence of industries

US Economic Policy Uncertainty Index³

- July 2008: US financial crisis
- August 2011: US debt downgraded
- June 2016: Brexit
- Nov. 2016: Presidential election

Tried and true approaches to dealing with uncertainty are often failing to move the needle

Increasing, and seemingly endless, volatility makes it nearly impossible to confidently deploy even five-year growth initiatives

Typical margin improvement programs are not as effective as they used to be

84% of companies pursuing cost reduction in excess of 20%

AND YET

64% of companies fail to meet their cost reduction goals⁴

Thriving in uncertainty requires one thing more than ever: agility

agility | noun | agil-i-ty
Marked by a ready ability to move with quick, easy grace; having a quick, resourceful, and adaptable character

Agile companies...

- See their environment clearly
- Parsing mountains of data and highlighting what matters

- Understand trade-offs among value levers
- Developing the right approach in a world where typical margin improvement archetypes no longer apply

- Employ multiple strategies at once
- Understanding when and how to shift among multiple market approaches

- Embrace the critical technologies required to thrive
- Making sense of digital disruption in a time of unprecedented and accelerating change

- Exhibit organizational alignment
- Balancing priorities, goals, and incentives to build a culture of anticipation

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1. Federal Reserve Bank of St. Louis Economic Data
4. Deloitte Cost Surveys: US; LATAM; Europe; APAC
Deloitte can help you rise to the challenge

We help clients transform their business and operations to achieve structural and sustainable actions that allow for savings capture, margin improvement, and the strategic allocation of resources towards growth initiatives.

The Thriving in Uncertainty (TIU) approach is robust and rapid, making it different from traditional margin improvement programs. Our proprietary TIU Insights Platform and Margin Improvement Labs leverage next generation automation and cognitive technologies, as well as interactive visualizations, to quickly establish a path forward by identifying specific, actionable projects with bold achievement targets.

Our services generally fall into four broad transformation strategies to help organizations address their specific strategic challenges:

<table>
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<tr>
<th>Client situation</th>
<th>Focus areas</th>
<th>Deloitte solution</th>
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<tbody>
<tr>
<td>Distressed</td>
<td>Focus on immediate actions to reduce costs, maximize liquidity, bring stability, and capture savings to avoid further deterioration of the business.</td>
<td>Deloitte’s solutions will focus primarily on liquidity by applying working capital and balance sheet strategies immediately while balancing short-term tactical cost actions.</td>
</tr>
<tr>
<td>Positioned for growth</td>
<td>Focus on actions that help improve cost and competitive position, avert cuts that might inhibit future growth, and rebalance costs to fund investments in business strategy enablers.</td>
<td>Deloitte’s broader cost approaches can help identify a portfolio of tactical and strategic actions and solutions that are self-funding to improve the overall cost structure, margin, and competitive position of the company.</td>
</tr>
<tr>
<td>Growing steadily</td>
<td>Enable or develop a scalable cost or business platform to fuel growth and investment in core capabilities while supporting a differentiated business strategy.</td>
<td>Deloitte’s structural and target operating model solutions can help integrate business model, governance, and service delivery model strategies to develop a scalable business platform that enables sustainable growth.</td>
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<tr>
<td>Thrive in uncertainty</td>
<td>Transform business operations through application of disruptive cost approaches such as automation and cognitive solutions to enable agile strategies in the business and set the stage to thrive in a fast-changing market environment.</td>
<td>Deloitte’s digital cost transformation services, leveraging automation and cognitive technologies and strategies, helps provide agile solutions that enable companies to better adapt to disruptive market changes.</td>
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Need help getting started?
Let’s chart a path at a Margin Improvement Executive Lab:
• Facilitated conversation on the results of a diagnostic with the latest visualization technology
• Discovery of tangible margin improvement opportunities
• A portfolio of prioritized initiatives for execution and improving shareholder value

Already know where to go?
Let’s get to work! Deloitte can collaborate with you to execute on your margin improvement agenda and hit the ground running with an unparalleled breadth of proprietary tools, and depth of industry experience and know-how to execute against all value drivers.

www.deloitte.com/us/tiu

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