**Global perspective and lessons learned**

On average, ZBB use is expected to decrease globally over the next 24 months; however, usage trends vary significantly region to region.

**ZBB use is expected to decrease sharply both in the US and in Latin America, while its use is expected to hold steady in Europe and Asia Pacific.**

**10%** of respondents, globally, planned to use ZBB over the next 24 months, whereas 13% reported doing so over the past 24 months (a real decline of 23%).

Companies that use zero-based budgeting tend to have higher cost targets, and are moderately more successful.

- 41% of respondents, globally, who are conducting ZBB reported targets above 20%
- Yet, only 23% of respondents not conducting ZBB reported pursuing those same targets
- 58% of respondents, globally, who are conducting ZBB did not meet their cost targets, but that percentage is higher for those not conducting ZBB (63%)

US respondents reported a decrease from 16% to 7% (a real decline of 56%) in the expected use of ZBB as a cost management approach, while LATAM respondents reported a decrease from 15% to 9% (a real decline of 40%). EU and APAC held steady at 7% and 16% respectively.

Companies using ZBB tend to report higher barriers to effective cost management.

- 42% of ZBB users reported “weak/unclear business case” as a barrier to effective cost management over the past 24 months, yet only 25% of non-ZBB users reported the same.
- 43% of ZBB users reported “poorly designed tracking and reporting” as a barrier, yet only 23% on non-ZBB users reported the same.

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**A new digital ZBB approach can help make the process faster, easier, and more effective.**

**Using cognitive technologies.**
These tools reduce the level of manual processing, accelerating the ZBB effort and helping to identify hidden savings opportunities.

**Focusing on strategic drivers.**
This reduces the change management challenge of ZBB, while delivering improvements in the areas that matter most.

**Attacking the problem from both ends.**
Supplementing ZBB’s standard bottom-up approach with a top-down perspective reduces the required level of detail and makes ZBB easier to execute.

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**Traditional ZBB**
Bottom-up and detailed approach focused on indirect spend and indirect labor

**Digital ZBB**
Approach applying cognitive technology and accelerators to identify strategic savings across budgets/teams

- **Tactical savings ✓**
  - Strategic savings ✓
  - Indirect spend / labor ✓
  - Direct spend / labor ✓

- **Balanced top-down (60-70%) and bottom-up (30-40%) approach**
  - Typical savings opportunity: 10-20% or more

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**Indirect spend**
**Indirect labor**

**Direct spend**
**Direct labor**

Target savings focused on ‘tactical’ opportunities
Typical savings opportunity: 10% or less

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Using cognitive technologies.
These tools reduce the level of manual processing, accelerating the ZBB effort and helping to identify hidden savings opportunities.

Focusing on strategic drivers. This reduces the change management challenge of ZBB, while delivering improvements in the areas that matter most.

Attacking the problem from both ends. Supplementing ZBB’s standard bottom-up approach with a top-down perspective reduces the required level of detail and makes ZBB easier to execute.
**US perspective and lessons learned***

Potential misapplication along with higher implementation challenges and failure rates may be key contributors to the steep decrease on expected future use of ZBB in the US.

ZBB usage in the US is expected to decrease significantly

Only 7% of US respondents planned to use ZBB over the next 24 months, down from 16% who had used it over the previous 24 months.

Higher cost targets with ZBB use may have led to higher failure rates.

- ZBB users reported cost reduction targets greater than 20% much more frequently compared to those that did not use ZBB (59% v. 27% respectively), potentially indicating misaligned use of ZBB.
- 65% of companies implementing ZBB reported failure to meet cost targets, versus 57% of non-ZBB users.

The extent of certain barriers faced by ZBB users, compared to non-users, may also have contributed to lower expected future usage.

- In 4 out of 5 different types of barriers to effective cost management, ZBB users reported higher levels than non-ZBB users:
  - 47% reported “weak/unclear business case” (versus 22% for non-ZBB users)
  - 41% reported “lack of understanding/acceptance of the solution by the audience” (versus 35%)
  - 41% reported “poorly designed reporting and tracking” (versus 23%)
  - 32% reported “erosion of savings due to infeasible target setting” (versus 21%)

If US companies want to continue using ZBB, they may need to do so realistically—with potentially lower targets and greater focus on implementation—and deploying a digital ZBB approach.

*Explore the full Global Cost Survey Report at www.deloitte.com/us/thriveglobal*