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## **Zero-based budgeting**

Global perspectives and  
lessons learned



On average, according to Deloitte's first Global Cost Survey Report, ZBB use is expected to decrease globally from 13% to 10%, a real decline of 23% (survey participants were asked whether they used ZBB in the past 24 months and then whether they plan to use it in the next 24 months). However, usage trends vary significantly from region to region.

ZBB use is expected to decrease sharply both in the US (from 16% to 7%, a real decline of 56%) and in Latin America (from 15% to 9%, a real decline of 40%). However, in Europe and Asia Pacific the use of ZBB is expected to hold steady at current levels (figure 1).

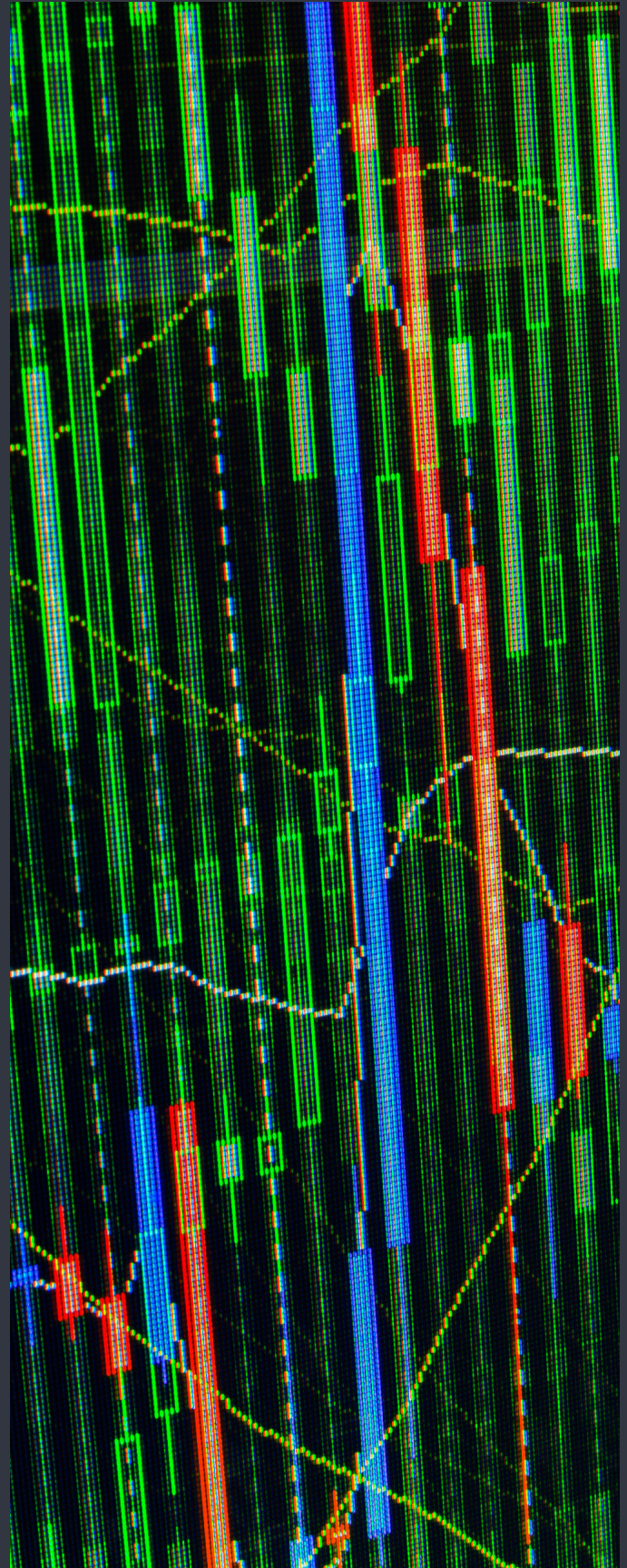
**Figure 1: Past and future use of zero-based budgeting**



**Survey findings**

- ❶ US respondents reported a decrease from 16% to 7% which represents a real decrease of 56% in the expected use of ZBB as a cost management approach, while LATAM respondents decrease is reported from 15% to 9%, which represents a real decrease of 40%.
- ❷ Europe and APAC respondents did not report a decrease in use and they expect ZBB to remain at the same rates of use as in the past.

◆ Data point excludes Australia due to outlier data

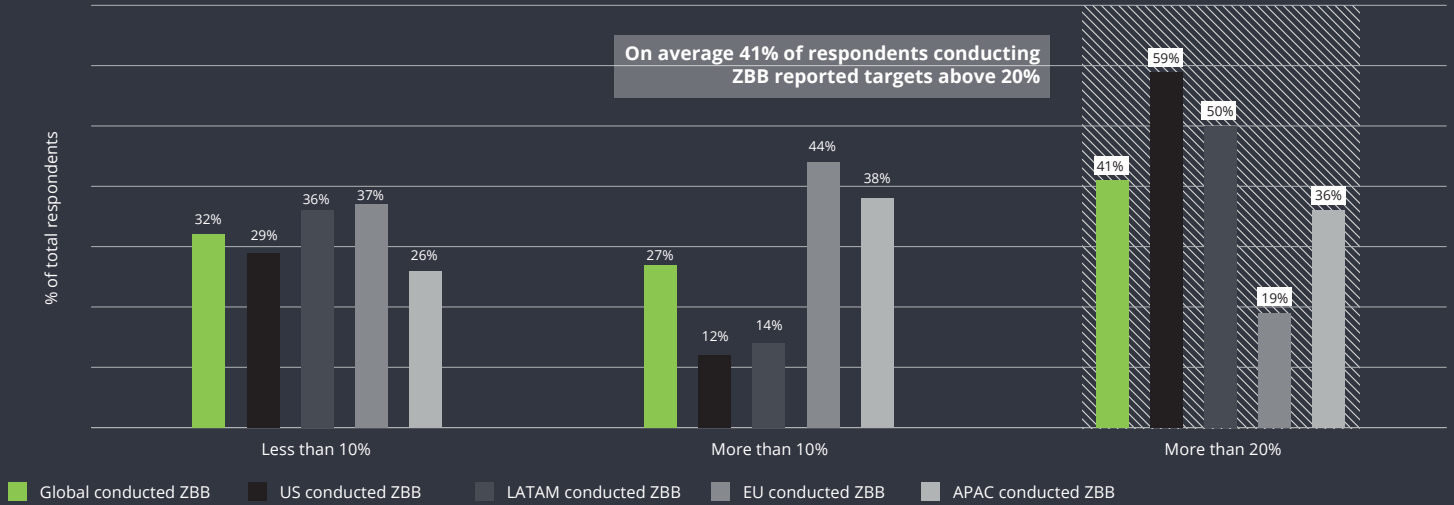


Companies that use zero-based budgeting tend to have higher cost targets. Specifically, 41% of respondents who are ZBB users are pursuing aggressive cost targets in excess of 20%, while only 23% of non-ZBB users are pursuing those same kinds of aggressive

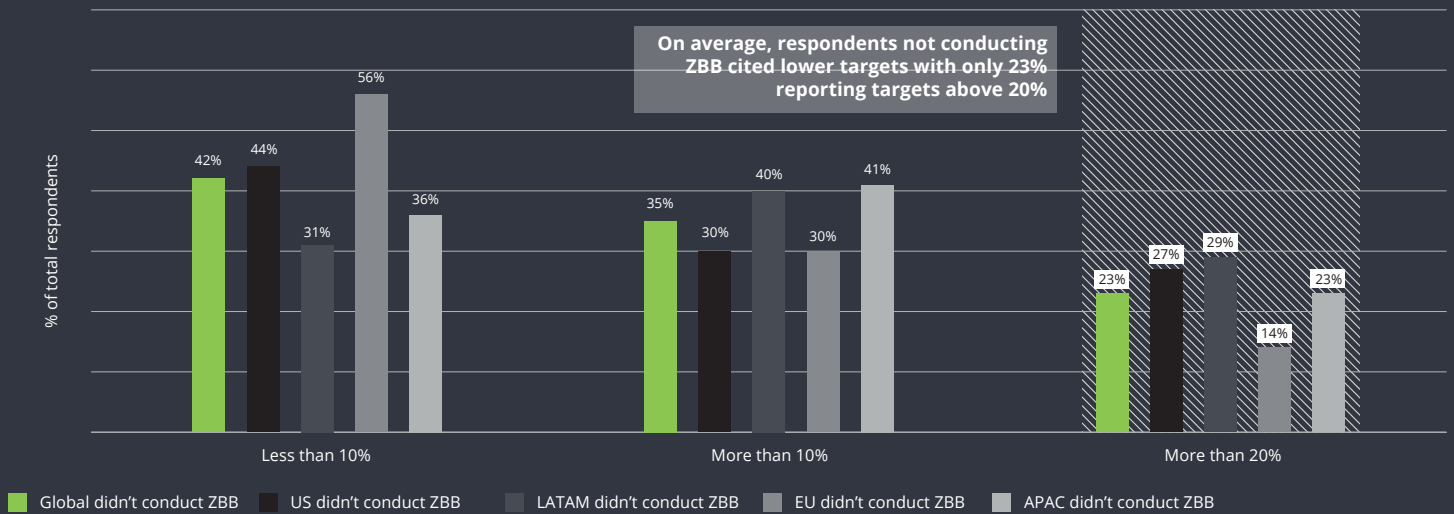
targets (figure 2). This is somewhat surprising since ZBB is generally considered a tactical approach, and the potential cost savings from tactical approaches tend to be lower.

**Figure 2: Annual cost reduction targets (ZBB vs. non-ZBB)**

Conducting ZBB ♦



Not conducting ZBB ♦



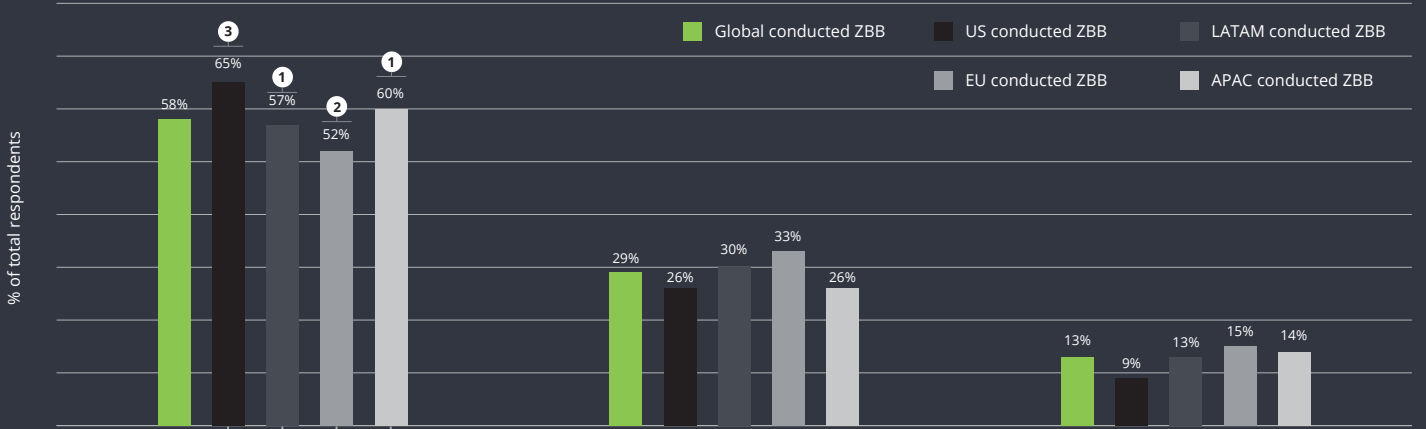
♦ Data point excludes Australia due to outlier data

The good news for ZBB users is they appear to be moderately more successful at meeting their cost targets. Although ZBB users in the US reported higher cost program failure rates than non-ZBB users (65% vs. 57%), in all other regions the failure rate for ZBB users

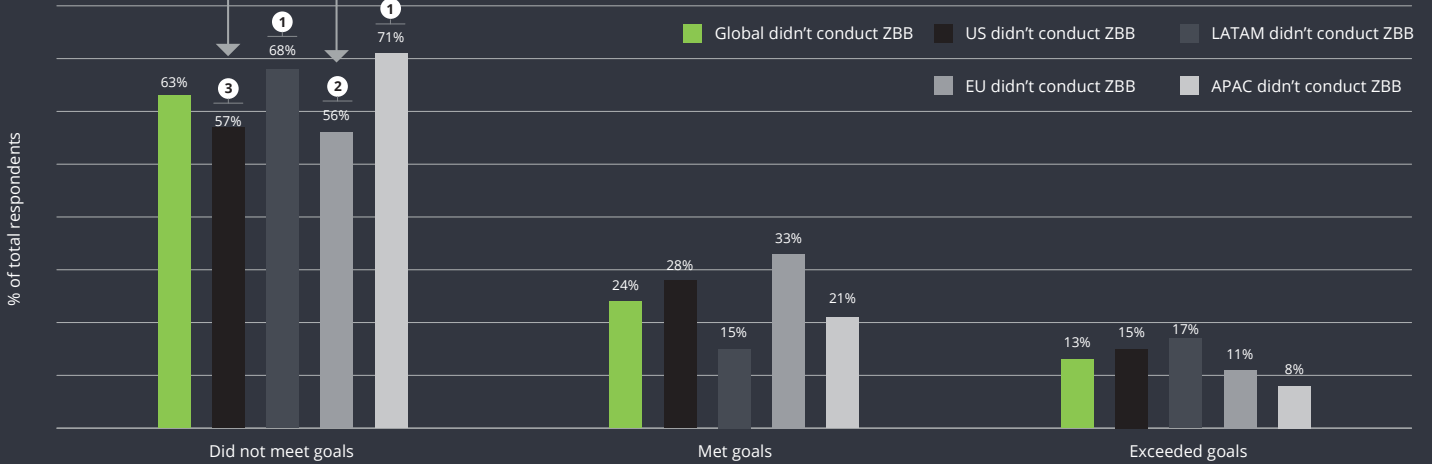
was lower than for non-ZBB users (57% failure rate vs. 68% in Latin America; 52% vs. 56% in Europe; and 60% vs. 71% in Asia Pacific) (figure 3).

**Figure 3: Success in meeting cost targets (ZBB vs. non-ZBB)**

Conducting ZBB ♦



Not conducting ZBB ♦



**Survey findings**

- ❶ LATAM and APAC reported the highest benefits when conducting ZBB, an 11% positive difference in each case.
- ❷ Europe reported moderately better success when conducting ZBB, a 4% positive difference.
- ❸ US reported higher failure rates when conducting ZBB, an 8% negative difference.

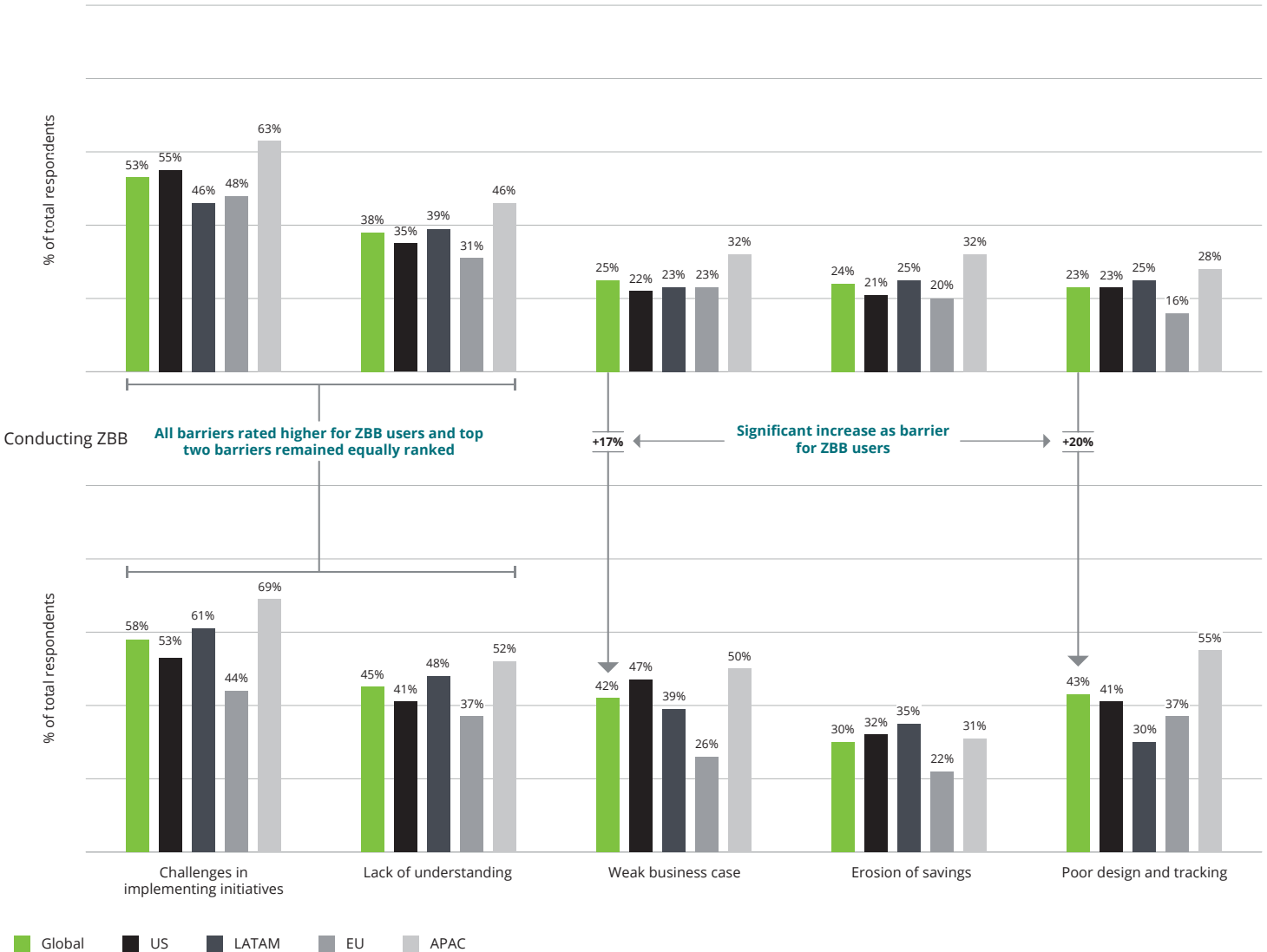
♦ Data point excludes Australia due to outlier data

The bad news is that companies using ZBB tend to report higher barriers to effective cost management, which suggests ZBB may be more difficult to implement and use than other cost management methods. Two barriers that ZBB users rate particularly high are

“weak/unclear business case” (42% vs. 25% for non-ZBB users) and “poorly designed tracking and reporting” (43% vs. 23% for non-ZBB users) (figure 4).

**Figure 4: Barriers to effective cost management over the past 24 months (ZBB vs. non-ZBB)**

Not conducting ZBB



ZBB use is expected to decline the most in the US and Brazil. In the US, high cost targets and high failure rates suggest companies might be misapplying ZBB, using a tactical approach to pursue aggressive targets that likely require strategic cost actions. In Brazil, where ZBB first rose to prominence, declining usage seems to be driven by implementation challenges.

Use of ZBB is expected to remain flat in Asia Pacific, except in China, where it is expected to rise—perhaps due to lower implementation barriers and lower failure rates.

In Europe, ZBB use is relatively low but expected to hold steady. Cost targets in the region are much less aggressive than elsewhere; also, structured approaches to cost management are much less common. In this environment, ZBB—as a structured approach—may be appealing to some companies simply because it is better than nothing.

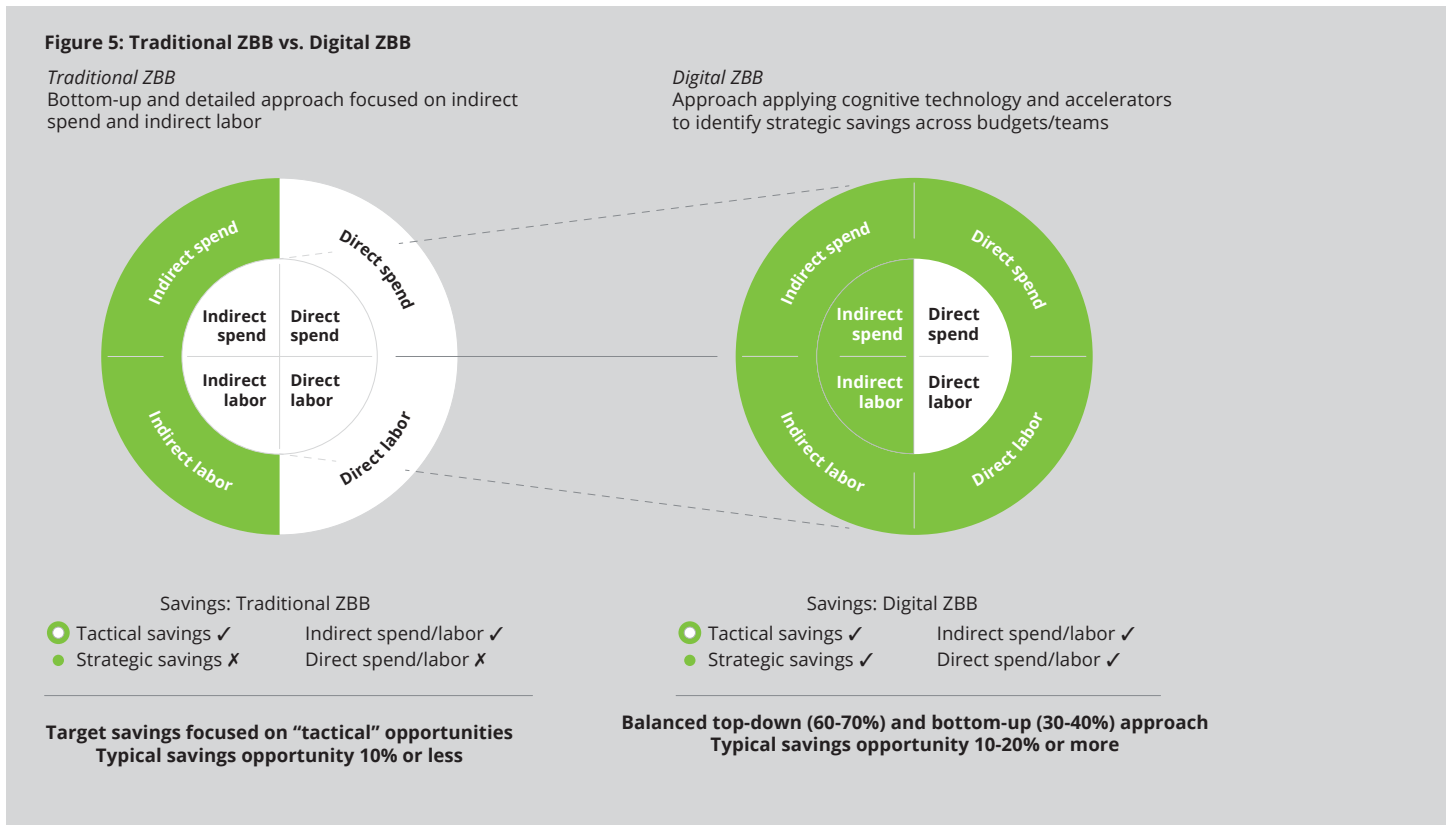
A key takeaway is that while use of ZBB seems to be fading globally, some companies might still find it useful—particularly if they are currently in need of a more structured approach to cost management, are pursuing tactical improvements with cost savings targets of less than 10%, and are willing to contend with the

additional implementation challenges and complexity associated with ZBB by making the necessary investments in training, communication, and change management.

**Digital zero-based budgeting**

For companies interested in using zero-based budgeting, Deloitte has developed a digital approach that can make the process faster, easier, and more effective. Key enhancements include:

- **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.



For additional insights, please download the full global cost survey report at [www2.deloitte.com/us/thriveglobal](http://www2.deloitte.com/us/thriveglobal)



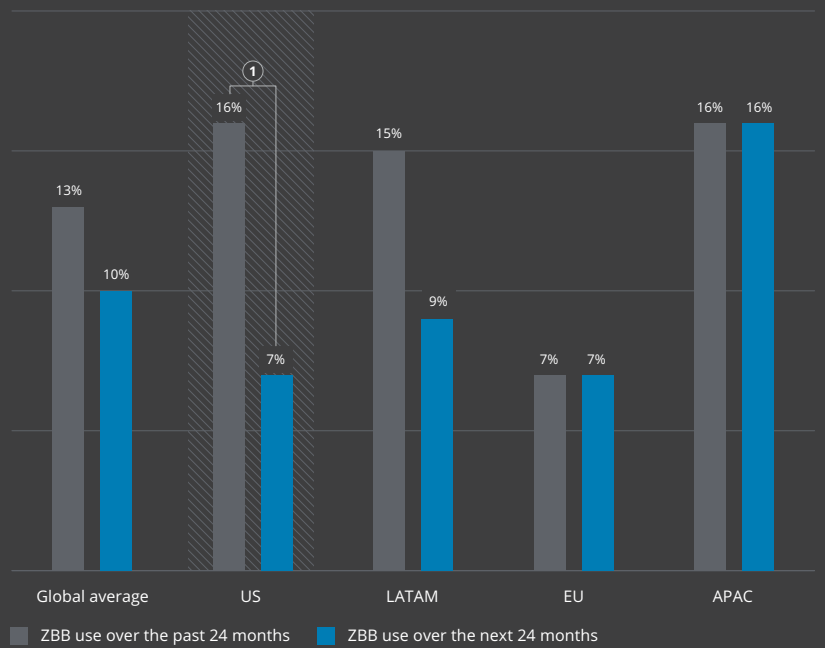
# Appendix: Zero-based budgeting (ZBB) analysis by country/region

## United States

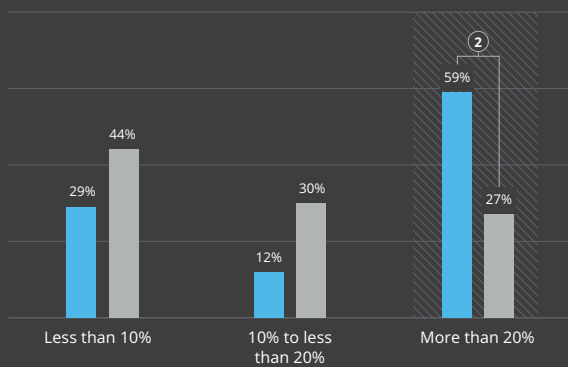
Potential misapplication along with higher implementation challenges and failure rates may be key contributors to the steep decrease on expected future use of ZBB.

- ① **Use**  
US companies show the steepest decrease in use over the next 24 months from 16% to 7% (9% absolute drop and a 56% relative decrease), relative to any other region.
- ② **Targets**  
ZBB users reported cost reduction targets >20% much more frequently compared to those that did not use ZBB (59% vs. 27%, respectively) potentially indicating misaligned use of ZBB.
- ③ **Success rates**  
Companies implementing ZBB reported higher failure rates 65% vs. 57% (8% difference).
- ④ **Barriers**  
Barriers for ZBB users are much higher in 4 out of 5 categories.

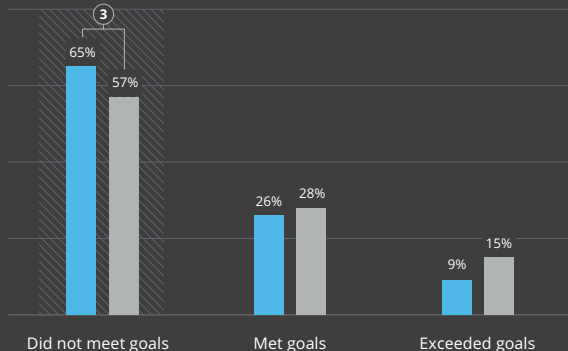
Past and future ZBB use



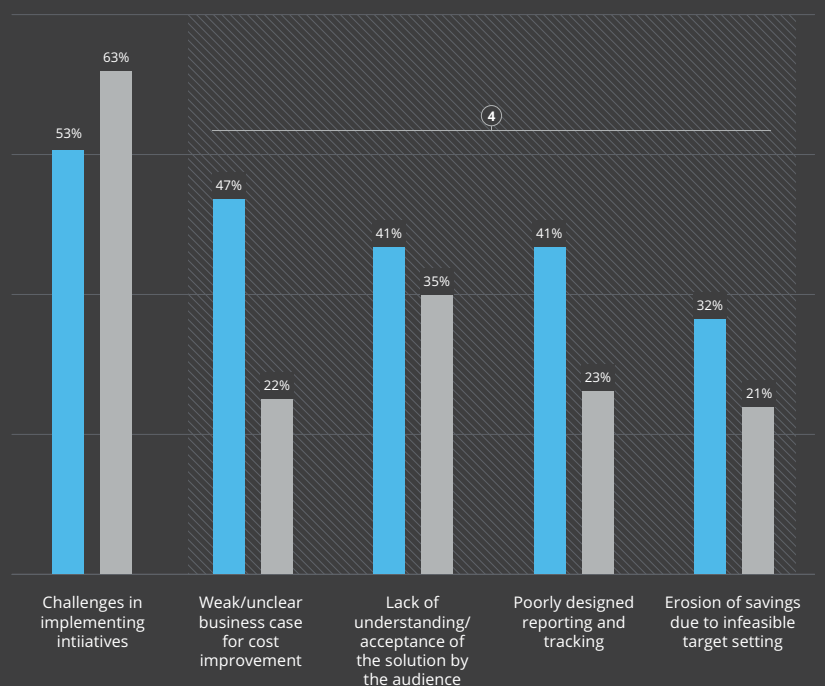
Annual cost reduction targets



Success in meeting cost targets



Barriers to effective cost management



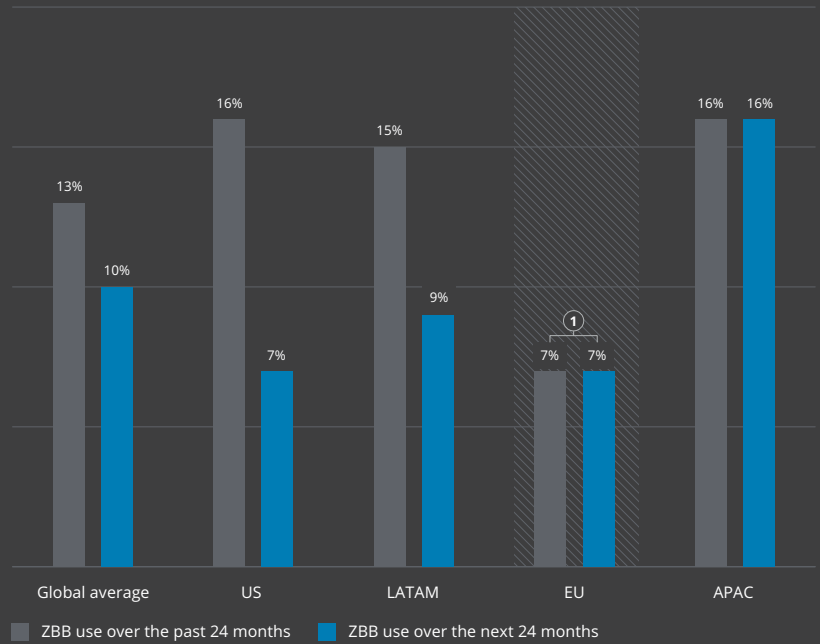


# Europe

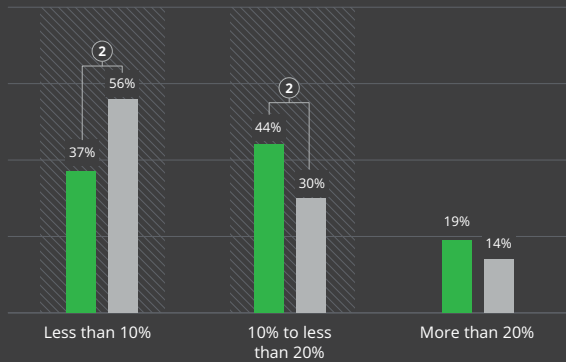
With structured cost programs not likely prevalent in Europe, ZBB use is moderately more successful as it is a structured cost management approach.

- ① **Use**  
ZBB use in Europe (7%) is below the global average (13%) and expected to remain flat compared to the previous 24 months.
- ② **Targets**  
The majority of ZBB users reported targets of 10% to less than 20% (44%). The majority of cost programs in Europe reported targets of less than 10% (56%), suggesting that structured cost programs may not be prevalent in Europe.
- ③ **Success rates**  
ZBB users reported moderately higher success (4%) compared to non-ZBB users.
- ④ **Barriers**  
Barriers for ZBB users are much higher in 4 out of 5 categories with 2 out of 4 being much higher.

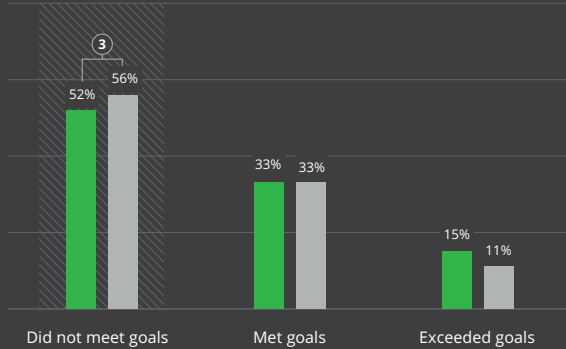
Past and future ZBB use



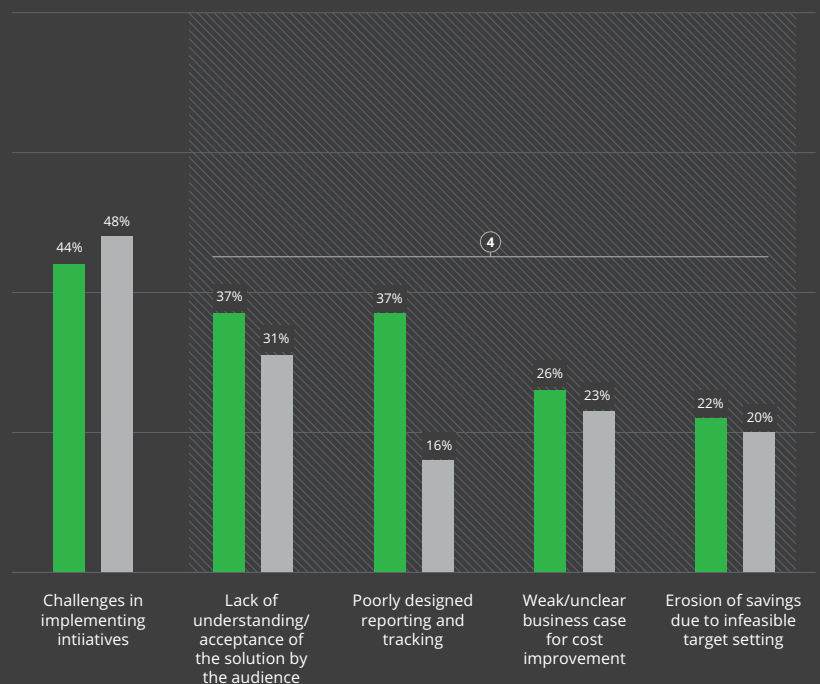
Annual cost reduction targets



Success in meeting cost targets



Barriers to effective cost management

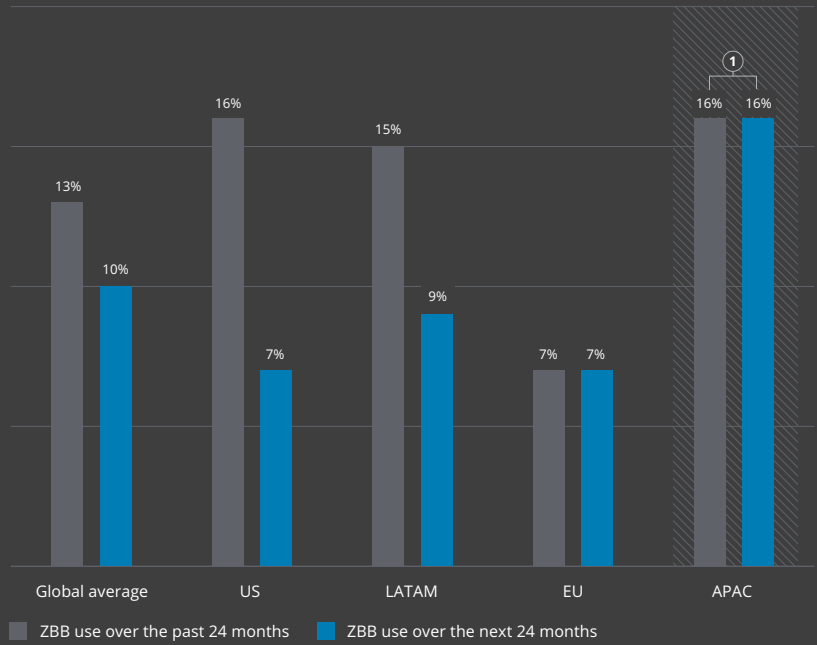


# APAC

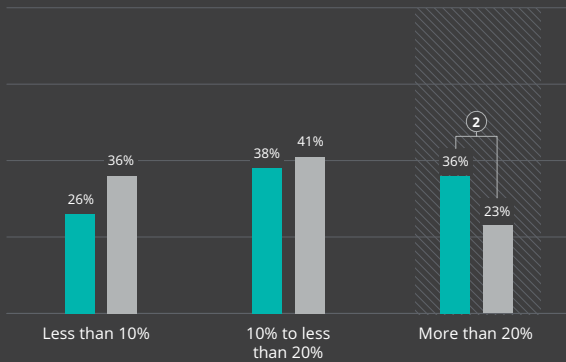
Despite potential misapplication and high barriers to implementation, success is higher but its use is expected to remain flat.

- ① **Use**  
ZBB use in APAC (16%) rated above the global average (13%) and it is expected to remain flat in the future.
- ② **Targets**  
ZBB users reported targets of more than 20% much higher compared to non-ZBB users (36% vs. 23%, respectively).
- ③ **Success rates**  
ZBB users reported much lower failure rates compared to non-ZBB users (60% vs. 71%, respectively).
- ④ **Barriers**  
All barriers are higher when conducting ZBB, with poorly designed reporting and weak business case showing high differences compared to non-ZBB users.

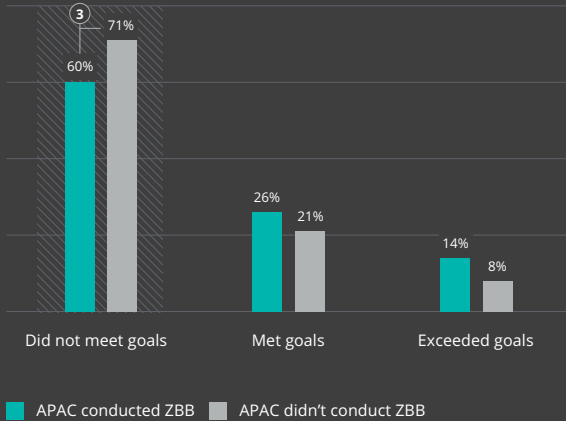
Past and future ZBB use



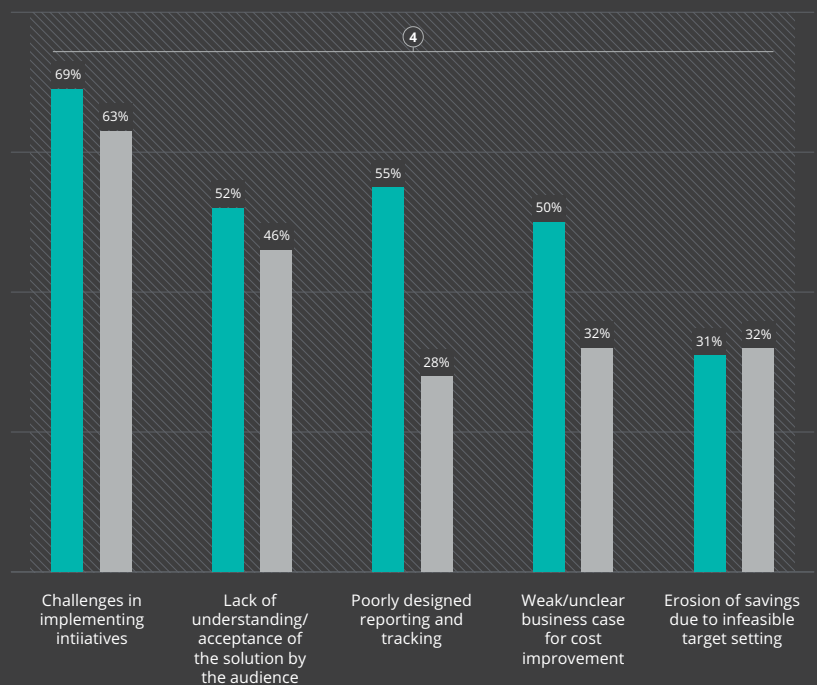
Annual cost reduction targets



Success in meeting cost targets



Barriers to effective cost management



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