



# Cost transformation in banking

Uplifting efficiency and productivity across your organisation

The cost agenda in banking has been elevated to a new level of importance in 2023 as the global economy transitions into a new period of higher inflation, slower growth and increased economic uncertainty.

In recent years, banks have been focused on responding to the rapidly evolving regulatory agenda and executing digital investments to meet customer needs – much of this resulting in persistently high cost-to-income ratios. As we move into the new economic phase, banking executives need to know that every dollar of capacity is being targeted at value creation. Aligning cost transformation goals with broader business strategies allows organisations to optimise their operations, reduce waste and unlock true value, ultimately leading to improved long-term financial performance.

Our experience in delivering cost transformation can help accelerate this journey. We understand the critical factors to deliver on these objectives, having worked with a wide range of banking and broader financial service organisations, both globally and locally. Our proven methodology enables clients to identify and validate where value can be unlocked across your value chain. Our specialists will then design the transformation programs necessary to unlock this value, and assist in managing the implementation and ongoing delivery of your prioritised initiatives.

Our team is comprised of highly regarded specialists across strategy, financial analysis, operational excellence, technology and digitisation – allowing us to move beyond strategy into practical, hands-on execution support for our clients.

## Our track record in banking

**\$900m**

in identified and validated savings for major Australian bank – including pathways to achieve accelerated \$400m in-year productivity target and \$500m in cost-out benefits aligned to two-year investment portfolio

**50%**

reduction in average time to decision for major Australian Business Bank Division – resulting in overall capacity released of <25 percent for re-investment

## Execution to embed productivity and efficiency

### Qualify

Banking executives including CFOs need a robust, data-driven approach to identify strategic cost-out and productivity opportunities. This requires deep understanding of the drivers of cost and external insights to identify the levers and challenge the status quo.

### Prioritise

Aligned to broader strategic objectives, CFOs need to lead the prioritisation of cost optimisation actions and investments to maximise returns. This requires a consistent and robust approach to assessment and strategies to improve the confidence levels on the viability of delivering the benefits committed.

### Manage

Achieving management alignment and commitment to remove stubborn structural costs is challenging. Banks need a well-sequenced, multi-horizon roadmap coupled with strong execution oversight and timely performance reporting to link change effort to business-as-usual budget, forecasting and actual cost management metrics.

## Key execution challenges

**87%**

Sheer length of cost initiatives or time required

**84%**

Competing priorities or management agendas

**81%**

Prioritising 'easy' costs over systemic problem areas

Source: *New cost imperatives in banking, KPMG Australia 2021*

## How can KPMG help you?

### KPMG's expertise can help you across your cost transformation journey

- **Value transformation:** an end-to-end review of the cost baseline, identifying a prioritised list of cost reduction opportunities across the organisation.
- **Operational efficiency:** review and redesign your business processes to remove waste and inefficiency across all parts of the value chain.
- **Operating model redesign:** design a future state operating model to achieve efficiency uplift.

- **Digitisation:** enhance digital capabilities across business processes and customer touchpoints.
- **Procurement and sourcing review:** review sourcing arrangements to identify consolidation and re-contracting opportunities.

- **Thought leadership:** the latest insights on cost optimisation in insurance from our global subject matter experts.
- **PMO support:** program support in managing and delivering a portfolio of cost transformation initiatives.

### Our tools and capabilities to ensure your project is a success

- **Cost benchmarking:** benchmark productivity metrics against global peers facing similar challenges to identify pockets of inefficiency.

## KPMG'S 12 cost out levers for banking

Macro cost lens	Cost out opportunities in banking
<b>Strategy</b> Focus on markets, products and business models that deliver value for customers and shareholders	<b>1 Geographies, markets, products:</b> Business models require optimising by refining geographic presence, markets served, and product lines to enhance profitability and efficiency
	<b>2 Operating model and balance sheet:</b> Suboptimal operations and finances that can be improved for efficiency, working capital management and allocation
<b>Simplicity</b> Ensure the organisational, accountability and governance arrangements enable efficient decision-making and operational agility	<b>3 Organisational model:</b> Streamlining structure and roles for efficient decision-making and resource allocation
	<b>4 Transformation optimisation:</b> Continuously refining transformation initiatives for maximum cost reduction
	<b>5 Cost management focus:</b> Vigilantly controlling costs with rigorous identification, analysis, and monitoring and embedding the right cultural norms to sustain
<b>Engineering</b> Manage and optimise how service is provided to customers, including use of technology, channels to market, and deploying automation and data to drive productivity	<b>6 Digitisation and operational efficiency:</b> Deploying operational management excellence disciplines and leveraging digital tools to streamline processes
	<b>7 Channel optimisation:</b> Enhancing sales and distribution channels for efficiency and cost-effectiveness
	<b>8 Organisation design and people:</b> Fine-tuning structure, capabilities and resource management for productivity and cost control
	<b>9 Technology optimisation:</b> Maximising cost efficiency through technology, asset and resource optimisation
	<b>10 Asset optimisation:</b> Reducing real estate costs through consolidation and renegotiation
	<b>11 Vendor and sourcing management:</b> Strategically managing suppliers for cost reduction and supply chain efficiency
	<b>12 Regulatory, governance &amp; risk compliance (incl tax &amp; legal):</b> Ensuring tax compliance and reducing liabilities while efficiently managing legal and governance costs

## Contact us

### Ben Kilpatrick

Partner

T: +61 2 93466335

E: [bkilpatrick1@kpmg.com.au](mailto:bkilpatrick1@kpmg.com.au)

### Vincy Ng

Partner

T: +61 2 93358982

E: [vincyng@kpmg.com.au](mailto:vincyng@kpmg.com.au)

### Julian Cappe

Director

T: +61 2 92454989

E: [jcappe@kpmg.com.au](mailto:jcappe@kpmg.com.au)



[KPMG.com.au](https://www.kpmg.com.au)

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

Liability limited by a scheme approved under Professional Standards Legislation.

October 2023. 1185637104CON.