

# Value creation

**Uplifting productivity and efficiency across your organisation to allow you to invest in revenue generating activities**



In today's challenging economic environment organisations need to focus on value creation to enable growth without increasing operating costs at the same rate. Reducing key costs to allow greater focus on profitable revenue, will ensure a company remains competitive, viable and relevant to their customers and stakeholders.

Aligning value creation goals with broader business strategies allows organisations to optimise their operations, improve productivity and unlock true value, ultimately leading to improved long-term financial performance.

Cost control and sustainability are more important than ever, as global disruption and domestic inflation rates put further pressure on a company's external spend profile. Ongoing cost escalations add further pressure requiring companies to better manage expenses and efficiency to protect their bottom line. This is particularly prevalent in the Property, Construction and Logistics Sector, where construction costs have increased by more than 25% over the past five years to July 2022. Control over an organisation's external spend profile can both fuel growth and competitive advantage, with KPMG research showing that best-in-class procurement capabilities outperform peer organisations by up to 176% in annual realised benefits from spend control activities.

With an inability to control these external factors organisations need to focus their efforts on unlocking value in areas under their direct control. KPMG's specialists work with clients to identify and validate where value can be unlocked across their organisations. Our specialists will then design the transformation initiatives necessary to unlock this value and assist in managing the implementation and ongoing delivery of your prioritised value creation initiatives.

## Our track record in property, construction and logistics

For a leading development and property management group, KPMG was requested to review the back and middle office to move from a siloed structure towards a streamlined consistent approach. The key focus was to improve collaboration, consistency and sharing of knowledge, reduce inefficiencies and drive stronger bottom line benefits for the business.

Delivered a future state operating model and implementation strategy that maximised shared functions, supporting consistent and simplified processes. Further, the high degree of consultation and engagement meant that the outcome was strongly owned by the business, easing the degree of the change 'sticking' once implemented.

## The property, construction and logistics sector is currently facing a range of challenges, which are driving value creation initiatives:

- Commodity price disruptions
- Skilled labour shortages
- Increased labour costs
- Inflation and rising direct material indices
- Increasing supply chain demands
- Increased availability of competitive procurement technologies
- Mandate for profitability growth
- Lack of external spend visibility across organisation
- Cost structure competitiveness comparative to peers
- Internal synergies across business units
- Increasing compliance costs
- Failed digital transformation initiatives

## How can KPMG help you?

### KPMG's expertise can help you across your value creation journey

- KPMG's Procurement Cost-Out service can help you immediately reduce external spend by 5-15% and install best-practice procurement methods for long-term value.
- KPMG Spend Analytics Solution leverages AI and machine learning technologies to provide actionable insights into our clients' third-party expenditure by cleansing, normalising, enriching and categorising Accounts Payable data.

Spend dashboards providing detailed insights into spend per categories, sub-categories, payment terms optimisation opportunities and how your procurement function transacts with the business are the output of the analytics.

- This Value Creation framework and associated levers are utilised to identify and validate cost optimisation opportunities for our clients.

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

- Saving opportunity assessments
- Value lever assessment and validation
- Procurement maturity assessment
- Performance enhancement roadmap
- Develop cost negotiation strategies
- Conduct cost negotiations
- Sourcing plan development
- Strategic sourcing activity implementation
- Procurement maturity action plan

## KPMG'S 12 cost out levers for property, construction and logistics

Macro cost lens	Cost out opportunities in property, construction and logistics
<b>Strategy</b> Focus on services, processes and initiatives that deliver value for patients, clients and residents	<b>1 Geographies, markets, products:</b> Implement dynamic pricing based on market, region or geography
	<b>2 Operating model and balance sheet:</b> Optimise cash flows through efficient cash management, including receivables and payables
<b>Simplicity</b> Ensure the organisational, accountability and governance arrangements enable efficient decision-making and operational agility	<b>3 Organisational model:</b> Implement a culture of clarity, accountability, and efficiency throughout the organisation to support ongoing transformation efforts
	<b>4 Transformation optimisation:</b> Develop a transformational capability within the organisation
	<b>5 Cost management focus:</b> Drive a cost conscious culture through strategy and defined accountability
<b>Engineering</b> Manage and optimise how services are provided, including use of technology, mode of service delivery and deploying automation and data to drive productivity	<b>6 Digitisation and operational efficiency:</b> Implement lean principles to optimise, eliminate and automate inefficiencies and improving operational efficiency
	<b>7 Channel optimisation:</b> Streamline supply chain to reduce transportation and warehouse costs
	<b>8 Organisation design and people:</b> Remove shadow functions by centralising teams and clarifying roles and responsibilities
	<b>9 Technology optimisation:</b> Modernise legacy tracking systems
	<b>10 Asset optimisation:</b> Review storage and warehouse requirements and consider reviewing and renegotiating existing property contracts
	<b>11 Vendor and sourcing management:</b> Leverage economies of scale by bundling purchases within categories
	<b>12 Regulatory, governance &amp; risk compliance (incl tax &amp; legal):</b> Consider establishing separate entity structures related to separate offerings to increase tax effectiveness

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