

Diagnose, Execute, Monitor: Optimising IT spending to unlock savings



IT spending in changing market dynamics and priorities

IT spending is undergoing significant changes due to shifting market dynamics and evolving priorities from the boardroom. As technology continues to advance at a rapid pace, organisations are faced with the challenge of adapting to these transformations while managing and keeping their IT spend in control.

It is forecasted that worldwide IT spending will reach US\$5 trillion in 2024, with an increase of 6.8% from 2023.



Rising IT investments amidst economic pressures

Despite economic downturns forcing budget reductions, worldwide IT spending is projected to increase by 8% from 2023. This draws attention to technology leaders and highlights their need to carefully consider their expenditures.



IT spending dominated by BAU IT Services

Spending on IT Services is forecasted to reach US\$1.5 trillion in 2024, accounting for 30% of the total IT spend, suggesting that the BAU operations are driving the cost significantly.



Emerging technologies accelerate cloud adoption

The rapid growth of GenAI and other emerging tech is fueling a surge in cloud consumption, driving a projected \$675.4 billion in global public cloud services spending by 2024.

Source: Gartner, KPMG analysis



How can you effectively optimise your IT spending?

Organisations should take a 3-step approach to IT cost optimisation to reduce their technology cost base and extract the most value from their investments.



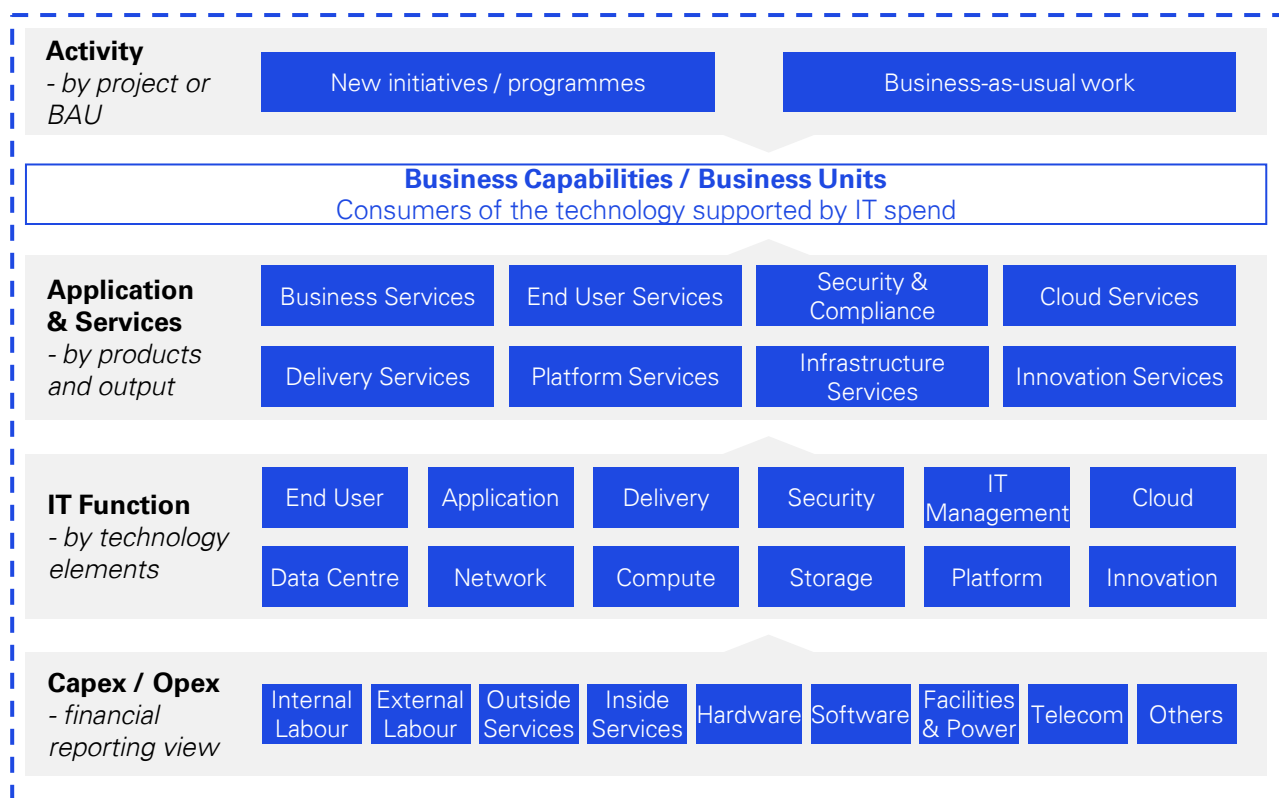


Diagnosis – categorising IT costs effectively in detail

Traditional financial reporting categorisation often fails to provide a detailed understanding of IT costs because of a lack of granularity. Without a clear breakdown, it becomes challenging to identify specific areas where costs are escalating or to pinpoint inefficiencies. It also obscures the true cost of IT services, making it harder to align IT spending with business objectives.

To address these issues, it is essential to develop a detailed taxonomy that maps out IT costs in a comprehensive manner. A well-structured taxonomy allows organisations to categorise expenses into specific groups, offering different views tailored to various purposes. For instance, an 'Application & Services' view would be helpful to understand how much it costs to run a specific application or service; while an 'IT Function' view would be helpful to understand where the IT spending goes to each technology element.

Such detailed mapping helps in tracking costs more accurately and provides a clearer picture of where the money is being spent. Below is an illustrative example for a robust taxonomy:

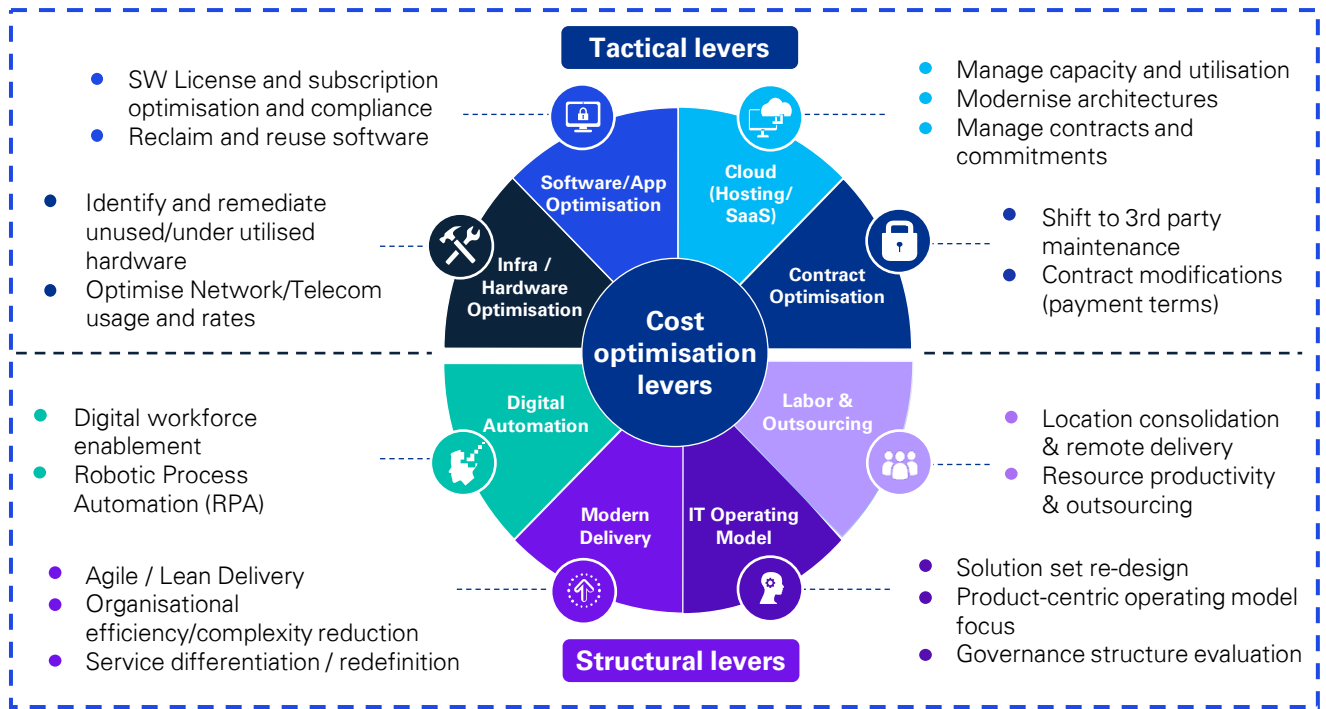


Execution – optimising IT costs by leveraging proven cost levers

Once you have a clear diagnosis of your current IT spending, you can identify exactly where costs can be reduced without compromising on quality or performance. Knowing the specifics of your expenditure helps in making informed decisions about where to implement cost-cutting measures.

There are numerous proven levers for cutting IT costs which are tailored to different aspects of your operations. Tactical levers include short-term actions such as locating under-utilised hardware and renegotiating vendor contracts which can yield immediate cost savings and improve efficiency. On the other hand, structural levers involve more strategic, long-term changes like digital workforce enablement and solution set re-design, which can also enhance scalability and flexibility, positioning your organisation for future growth.

Typical examples of cost optimisation levers are shown on the next page.



Monitoring – ongoing tracking to increase visibility

Cost optimisation is not a one-off exercise, but requires ongoing tracking and monitoring to ensure the spending aligns with what was planned, while maximising business value. Using a tool to automate the cost-tracking process can save time and bring a high level of transparency to your financial operations. With automated tools, you can easily track expenses, generate reports, and gain insights into your IT spending patterns.

Budget vs. Actual (BvA) Analysis, for example, is a key component of the automated tool which involves comparing your budgeted costs against the actual expenses incurred. It helps to identify variances and understand the reasons behind to support IT leaders in making informed decisions and adjustments to spending as necessary.

The ongoing monitoring should also include benchmarking your costs against industry standards, which is essential for maintaining a competitive edge. By comparing your expenses with those of similar organisations, you can identify areas where you may be spending more than necessary. Benchmarking provides valuable insights into best practices and helps you adopt strategies that can lead to cost savings and improved efficiency.



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