

Multi-dimensional cost optimization

Release value while advancing your AI, sustainability and supply risk agendas

KPMG Advisory - Procurement & Supply Chain



Cost programs across procurement and the wider value chain are increasingly judged against several executive agendas at once: margin, productivity, emissions, supply risk and service continuity. Bringing those onto a single view changes which levers are selected, rather than only how the savings are spent.

Setting the scene

Organizations are under pressure to reduce cost, adopt AI faster and meet sustainability commitments at the same time. Each of these priorities has its own executive owner, its own business case and its own reporting line, and each defines what a successful cost program entails differently.

In practice, most programs are run against a savings target. Emissions, supply risk and data quality are looked at later, once the choices have already been made. The trade-offs still get made; they are however simply never discussed.

The opportunity is hidden in making those trade-offs visible at the point of selection, when they can still be influenced.

Typical cost optimization client challenges



Cost optimization targets keep increasing

Targets increase every year, while traditional savings levers are becoming exhausted



Competing agendas, one budget

AI, sustainability and cost cases are approved separately but paid from the same envelope



Traditional levers dominate attention

The fastest savings are prioritized even when larger cross-functional opportunities exist



Savings leakage across functions

Cost reductions in one area often create risk, carbon or operational cost elsewhere

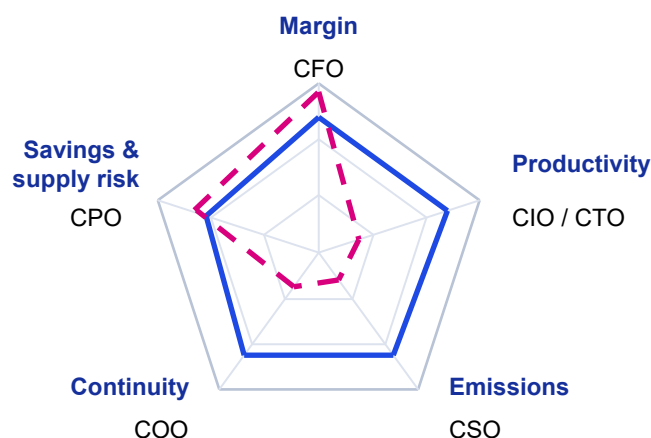


No shared scorecard

Functions measure success differently, making enterprise optimization difficult

The Executive agenda's view *(illustrative)*

Cost, AI and sustainability are not competing agendas. They are different ways of measuring the success of the same program, and the greatest value comes from considering them together rather than one after another.



Enterprise ambition

What a typical cost program delivers

The difference between the two profiles indicates where a program is under-serving its stated ambition.

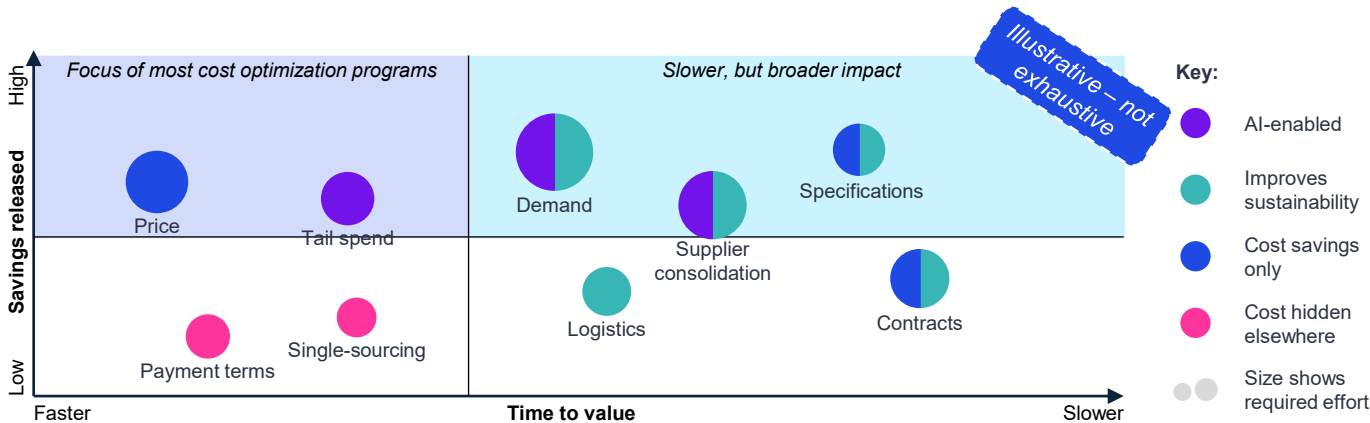
Same savings target, different mix

Saving more isn't always better. Saving in the right areas matters.

Cost levers differ in what they deliver beyond savings. Some improve emissions, resilience and data quality at the same time. Others deliver financial value alone, and a few carry second-order effects that surface later.

The importance of focusing on the right cost levers

Since cost levers are typically ranked on size and speed, the portfolio concentrates in the top left corner (high savings; fast delivery). Levers that would not only deliver cost savings but also simultaneously help with AI-readiness and sustainability ambition sit however further on the right, meaning that while high savings can still be achieved, this would entail a longer timeline.



Example of an AI-enabled cost lever

- Lever: Specifications**
Specification standardization is high-volume, low-judgment work: comparing variants across SKUs, flagging redundancy, consolidating standards.
AI does this analysis far faster than manual review, delivering the same saving (fewer variants, less scrap) while leaving a clean item master behind.

Example of an ESG-enabled cost lever

- Lever: Suppliers**
Spreading spend thinly gives you little leverage.
Concentrating volume on fewer ESG-qualified suppliers earns better terms and shifts the relationship from transactional to strategic (better pricing now, committed volume they can invest against).

What would change

Typical selection

levers ranked by size and speed

Price renegotiation	€6m
Payment terms	€2m
Single-sourcing	€2m

Savings delivered €10m

Time to value ~6 months

Additional deliverables:

Nothing further aside from supplier concentration marginally higher

Broader-impact selection

levers ranked on everything they deliver

Specification standardization	€4m
Supplier rationalization	€3m
Price renegotiation	€2m

Savings delivered €9m

Time to value ~12 months

Additional deliverables:

Reduced emissions and waste
Consistent item and supplier data created
Improved supplier ESG performance

Both selections deliver similar savings. The difference is time to value, and what else the money buys.

How we work with you

From a scored list of cost levers to one shared scorecard

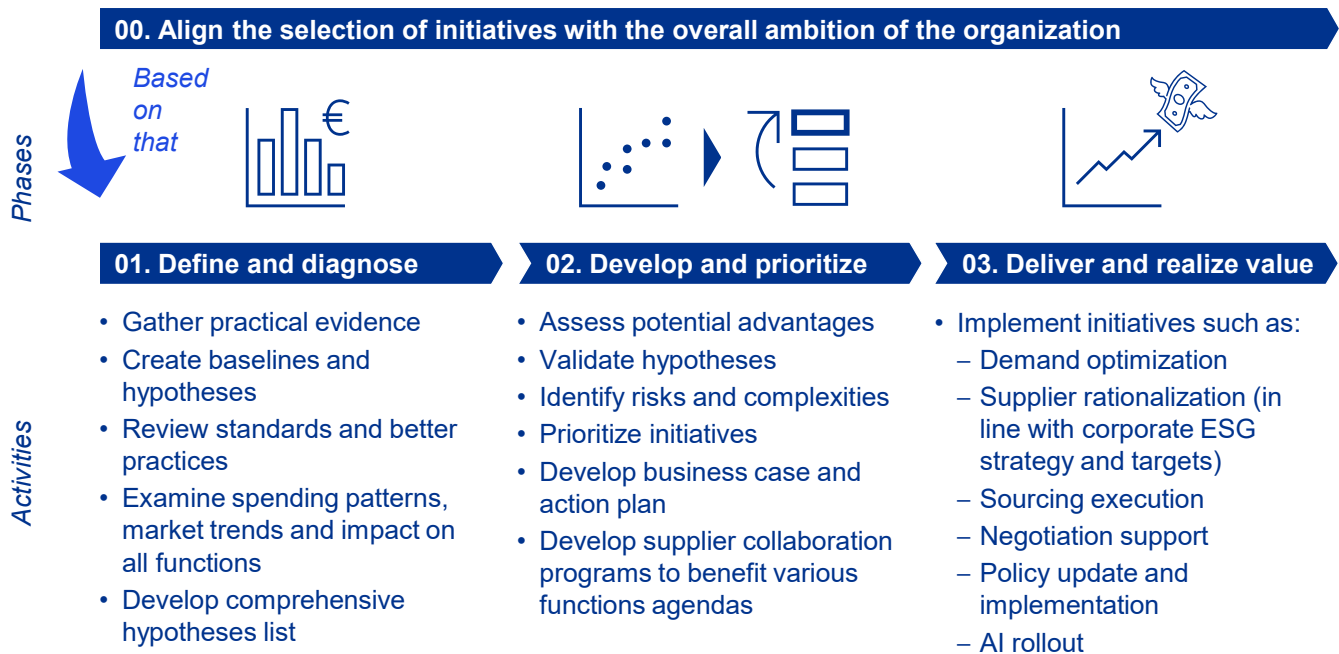
We combine benchmarking against comparable organizations, hands-on operational insight and leading ESG practices to identify opportunities quickly – and we score each lever on more than its financial impact.

Bridging competing executive priorities

The analysis usually starts in procurement and extends across the value chain. Across transformation, procurement, supply chain, sustainability and digital programs, we work with people who are each solving a different part of the same problem.



Our approach



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