

# Strategic Cost Management

Manufacturing



Strategic Cost Management is an industry-leading toolset from Tata Consultancy Services that helps manufacturing enterprises explore cost-effective opportunities across the value chain, gain visibility in business operations, and holistically leverage analytics and insights to assess risks and impacts of cost outs. TCS has ready-to-use assets and tools built on strategic cost scenarios, deep domain expertise, and knowledge of industry best practices that it can quickly use to engage with its customers on their specific needs.

## Overview

The last decade saw the manufacturing sector welcoming several changes - the most important being the shift to the customer-centric B2B2C model. While enterprises constantly work to achieve their business growth trajectories and put to action associated transformations to achieve growth, one cannot ignore the unprecedented changes that will impact global markets and economies. Past economic downturns have had higher impact on manufacturing and the sector witnessed a steeper recovery as well. Research by TCS has found that the manufacturing value added (MVA) of an economy during the 2008-09 global financial recession fell to a negative 6% against 0% of real gross domestic product growth rate<sup>1</sup>. The MVA data was sourced from the United Nations Industrial Development Organization (UNIDO) and the real GDP growth rate data from the World Bank. MVA refers to the total output of the manufacturing sector after removing intermediate inputs. Learning from the past, the call of the hour in 2020 is to ensure business resilience till stability is achieved and organizations can refocus the gains received from resilience measures towards growth and transformation.

While many manufacturers address their financial resilience needs, firms must equally focus on strengthening their operations by adopting new models.

## Our Solution

TCS' Strategic Cost Management is a modular toolset addressing different cost management needs based on the current state of cost structures across the manufacturing value chain.

To understand the cost structure, we have created a unique view of costs build-up across the value chain (see Figure 1). The toolset depicts costs not only from supplier-related transactions, but also those accruing from end customers during ownership of the product or service.

Our execution approach includes inbuilt diagnostics scan, value chain maturity assessments, and business by design sessions to engage at a holistic level with the manufacturer. Using the design thinking framework, TCS helps the manufacturer ideate on challenges it faces on cost management across the value chain in a workshop mode. TCS helps manufacturers identify potential cost management opportunities and creates a roadmap to achieve those opportunities by aligning with relevant stakeholders. Based on value chain maturity assessments, TCS creates a business strategy roadmap to execute custom point engagements for managing costs.

We understand that cost management is not a one-size-fits-all mechanism. The secret lies in customizing the toolset and the execution approach for a manufacturer. Thanks to TCS' deep domain expertise, frameworks, industry-specific accelerators and assets, and advanced data analytics capabilities, we can customize the tool to suit the business needs of any organization.

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<sup>1</sup>World Bank and UNIDO; Average Annual Real Growth Rate of MVA and GDP (in %); May 2019;  
<https://stat.unido.org/app/country/W1.htm?Country=032&Group=DEV>

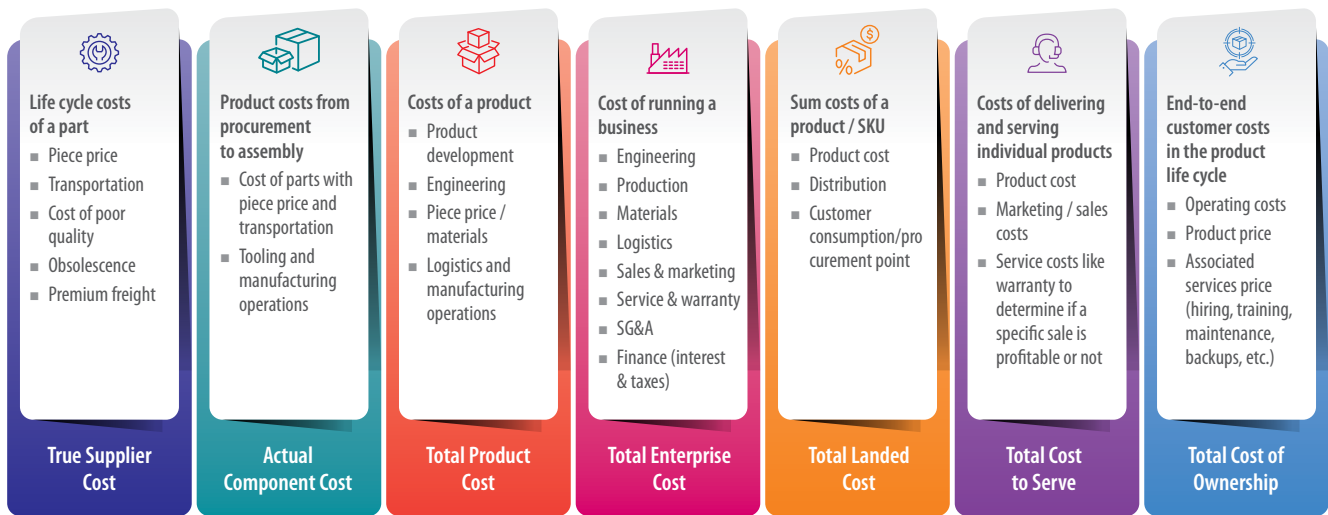


Figure 1: Cost structure across the manufacturing value chain

## Benefits

Manufacturers will have different imperatives to keep their businesses resilient and adapt to the demands of the market and customers. Firms can use the Strategic Cost Management toolset to meet their short-term and medium- to long-term imperatives.

In the short term, the tool can help manufacturers:

- Improve liquidity through visibility into inventories and future costs.
- Increase cost efficiency through reduction in obsolescence, premium freight, and logistics and transport optimization.
- Conserve capital by avoiding cost obligations such as cost of quality, warranty and recalls.

For the medium to long term, the tool can help manufacturers:

- Develop a deep understanding of their product cost assumptions and dependencies.
- Make critical 'go – no go' / 'make – buy' decisions at various stages of the product development process.
- Manage their product mix to achieve product portfolio profitability.
- Develop robust and scalable models for operations such as developing alternate sources of supply, managing extraordinary costs, enhance visibility into the supply chain, inventories, and order fulfillment.
- Build cost competitive products for the market based on the total cost of ownership.

## The TCS Advantage

Because the Strategic Cost Management tool supports ready-to-use assets, TCS is able to offer its customers a low gestation period for immediate cost-outs. TCS' deep domain expertise across the manufacturing value chain, contextual knowledge, strategic technology partnerships, and Business 4.0™ further helps in quickly determining cost-outs.

TCS has also previously leveraged these key advantages to undertake numerous cost management engagements across different industries within manufacturing.

With Strategic Cost Management, TCS is helping manufacturers develop much-needed resilience to support them in their growth trajectories.

## Awards & Recognition



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Tata Consultancy Services is an IT services, consulting and business solutions organization that delivers real results to global business, ensuring a level of certainty no other firm can match. TCS offers a consulting-led, integrated portfolio of IT and IT-enabled infrastructure, engineering and assurance services. This is delivered through its unique Global Network Delivery Model™, recognized as the benchmark of excellence in software development. A part of the Tata Group, India's largest industrial conglomerate, TCS has a global footprint and is listed on the National Stock Exchange and Bombay Stock Exchange in India.

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