

How to build a cost optimisation programme that holds

Most cost programmes deliver a number once and lose it within eighteen months. This guide sets out the practical mechanics of a zero-based approach that survives the next annual reset — written from operational delivery, not from a template.

1. Start with the baseline nobody owns

Before targets, rebuild the cost base at the level of the driver, not the ledger line. Most organisations budget by account; almost none budget by what actually causes the spend.

If the data will not support a driver view, that is finding number one — and it is usually fixable in weeks, not quarters.

- Map spend to cost drivers (volume, frequency, headcount, distance, SKU complexity).
- Separate addressable from non-addressable spend and say so out loud.
- Set a data quality verdict before you set a target.

2. Should-cost before price

The largest savings rarely come from renegotiating price. They come from the driver that stopped being questioned years ago: the delivery frequency, the specification, the service level nobody remembers agreeing to.

A should-cost model gives you a defensible number to negotiate against and, more importantly, a conversation the business can join.

- Build should-cost for the top 10 cost pools, not for everything.
- Model volume, specification, and service level as variables — not constants.
- Test each assumption with the person who owns the operation.

3. Owners, not workstreams

A target without a named owner is a forecast. Every line in the plan needs one person who carries it in their own P&L, with a monthly number they report themselves.

Keep the reporting rhythm boring and short: one page, one owner, one variance explanation.

4. The annual reset

Zero-based budgeting is not a project. It is the language the organisation uses every planning cycle. If the second year reverts to last year plus a percentage, the first year was

a cut, not a capability.

Lock in the driver definitions, the should-cost models, and the owner list as standing artefacts. Refresh them; do not rebuild them.

5. What good looks like after twelve months

- Budget conversations start from drivers, not from last year.
- Owners can defend their numbers without the finance team in the room.
- Savings from year one are still visible in year two's baseline.
- New spend requests arrive with a should-cost attached.

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