

Exhibit 1 - There Are Many Ways to Optimize the Tech Function

Cost reduction areas



IT management

E.g., internal IT leadership and coordination roles



Data centers

E.g., private cloud; fees for public cloud capacity



Application development and new software licenses

E.g., development of custom applications; license fees for commercial off-the-shelf software (COTS)



End-user computing and IT service desk

E.g., user devices and access to enterprise applications; IT support and ticketing



Application support

E.g., support and maintenance for custom applications; maintenance fees for COTS



Network

E.g., IT and communications networks (such as voice, LAN, and WAN)

Source: BCG analysis.

Exhibit 2 - Knowing Where to Focus Is the Key—and the Challenge

Cost reduction levers



Improving business harmonization

Streamlining and simplifying business processes to decrease complexity



Selling IT assets and meeting needs through outsourcing

Shedding data centers, captive delivery centers, and other internal resources—and turning to third parties to provide the services



Increasing standardization and automation

Standardizing applications and IT infrastructure across the enterprise; introducing new tools, applications, and infrastructure to enable automation



Selectively insourcing

Building internal capabilities (or bringing back outsourced work) when doing so generates both cost efficiency and competitive advantage



Fostering demand management

Prioritizing—by business value—requests for IT services; limiting development work and reducing service-level agreements when ROI doesn't warrant larger investment



Leveraging rightshoring

Basing IT capabilities in geographic locations (nearshore and offshore) that provide an optimal combination of cost and efficiency



Renegotiating and consolidating

Cutting costs by revisiting contracts or spreading purchases across fewer vendors

Source: BCG analysis.

Exhibit 3 - How Cost Reduction Levers Rank by Industry

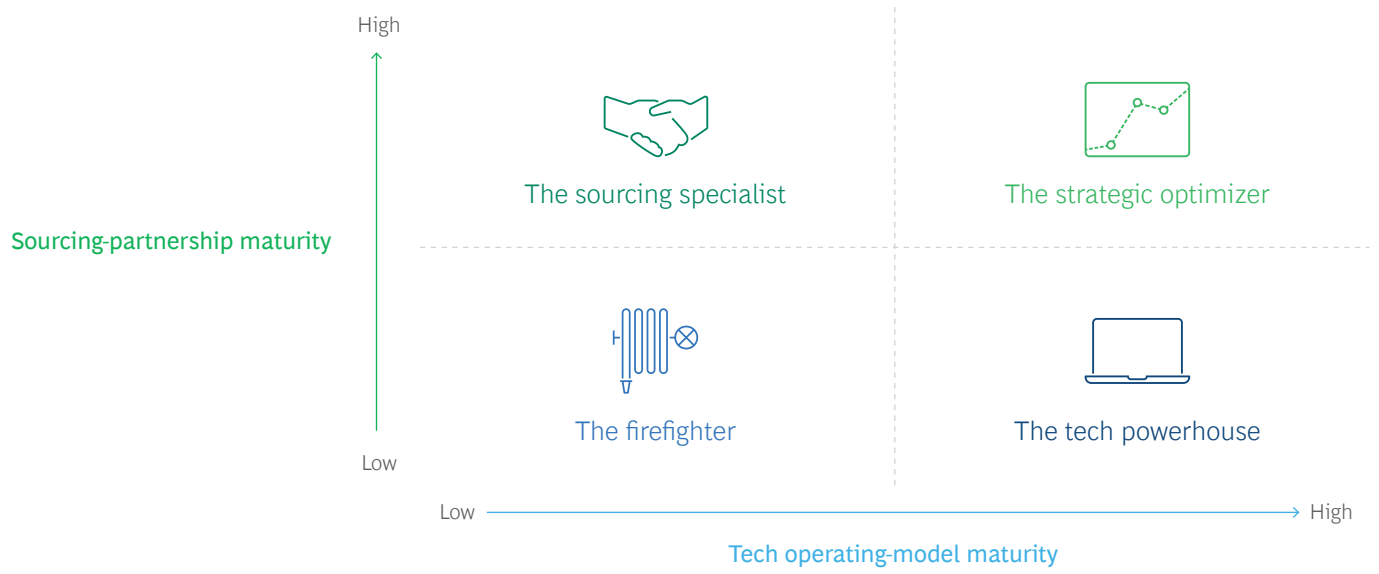
	Selling IT assets in favor of outsourcing	Increasing standardization and automation	Improving business harmonization	Selectively insourcing	Leveraging rightshoring	Renegotiating and consolidating	Fostering demand management
Transportation	1	2	4	3	5	6	6
Pharmaceuticals ¹	1	3	2	4	6	5	7
Health care	1	3	2	6	4	5	7
Retail	1	6	2	4	5	3	7
Energy	1	2	3	4	5	6	7
Media	1	3	2	5	6	3	7
Telecommunications	1	6	2	4	3	7	5
Digital ²	2	1	3	4	5	6	7
Consumer goods	2	1	3	5	4	7	6
Technology	3	1	2	4	5	7	6
Industrial goods	2	1	5	4	3	6	7
Public sector	6	1	2	5	4	3	7
Financial services	3	2	1	5	6	4	7
Insurance	3	4	2	1	5	7	6

Source: BCG analysis.

¹Includes medtech.

²Comprises companies that derive at least 75% of their revenue from digital channels. Some of these companies also may be included in another industry, such as health care or retail.

Exhibit 4 - Where Does Your Company Fit on the Resilience Matrix?



Source: BCG analysis.