

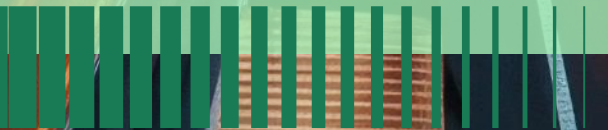


Executive
Perspectives

BCG's Guide to Cost and Growth

Strategic Insights for Navigating
Economic Uncertainty

January 2025




Introduction

The year ahead brings both opportunities and challenges as CEOs and executive leaders worldwide grapple with economic uncertainty and the need for strategic reinvestment. In our latest survey of over 570 executives across regions and industries (conducted at the close of 2024), we explored the primary concerns and strategies shaping business priorities for 2025.

Our research reveals that cost management remains a top priority amid fluctuating interest rates and global trade tensions. This edition synthesizes insights from CEOs and leading experts at BCG, providing a roadmap for sustainable margins and cost efficiency while positioning businesses for long-term growth.

This edition also delves into the factors critical to maintaining financial discipline in companies and explores how leaders can reinvest strategically to fuel competitive advantage in 2025.



In this BCG Executive Perspectives edition, we share executives' views on the 2025 macroeconomic outlook, with a focus on cost management and growth

Executive summary | In a complex and uncertain economic environment, cost management remains the top priority for executives across industries

Navigating the economic landscape of 2025

The global market outlook for 2025 remains relatively steady, with declining optimism in 2025 relative to 2024 following the US election outcome

- **40% of executives feel unprepared for market shocks in 2025**, despite years of navigating disruptions (e.g., COVID, supply chain, ChatGPT)
- **North American and European executives are increasingly concerned about margins and profitability** as rising interest rates, inflation, and potential tariff and regulatory changes intensify pressure
- **Asia-Pacific¹ executives are concerned about impacts on exports that could slow economic growth** as geopolitical tensions in the region could further erode investor confidence and disrupt global supply chains

In the wake of the recent US election, **85% of executives are already addressing tariffs and regulatory changes to mitigate potential disruptions**

Managing cost structures in 2025

Amid a complex economic landscape, **cost management remains executives' top priority**

- Heading into 2025, executives are prioritizing cost efficiency in their **core operations including supply chain optimization and product portfolio simplification** to remain competitive
- Executives in the sample report that **only 48% of cost-saving targets are achieved** and that their companies struggle to maintain efficiencies. Companies that announce but fail to achieve targets average **9pp TSR underperformance compared with successful peers**
- The greatest barrier to lasting structural cost change is "cultural resistance" to cost-saving measures, but firms with **active focus to align culture on cost and efficiencies and agile management achieve up 11% greater lasting cost reduction**

Unlocking sustainable growth

Laying the foundations for sustainable **cost management is vital, as 67% of executives plan reinvest savings into growth and innovation**

- Executives view GenAI as a pillar for efficiency, with **86% planning to invest in AI and advanced analytics in 2025**
- Executives see GenAI and advanced analytics as an **opportunity to cut costs in areas like customer service**

BCG's holistic approach combines deep expertise and proprietary capabilities to **deliver cost management programs that drive lasting savings, fuel growth, and tackle structural cost challenges**

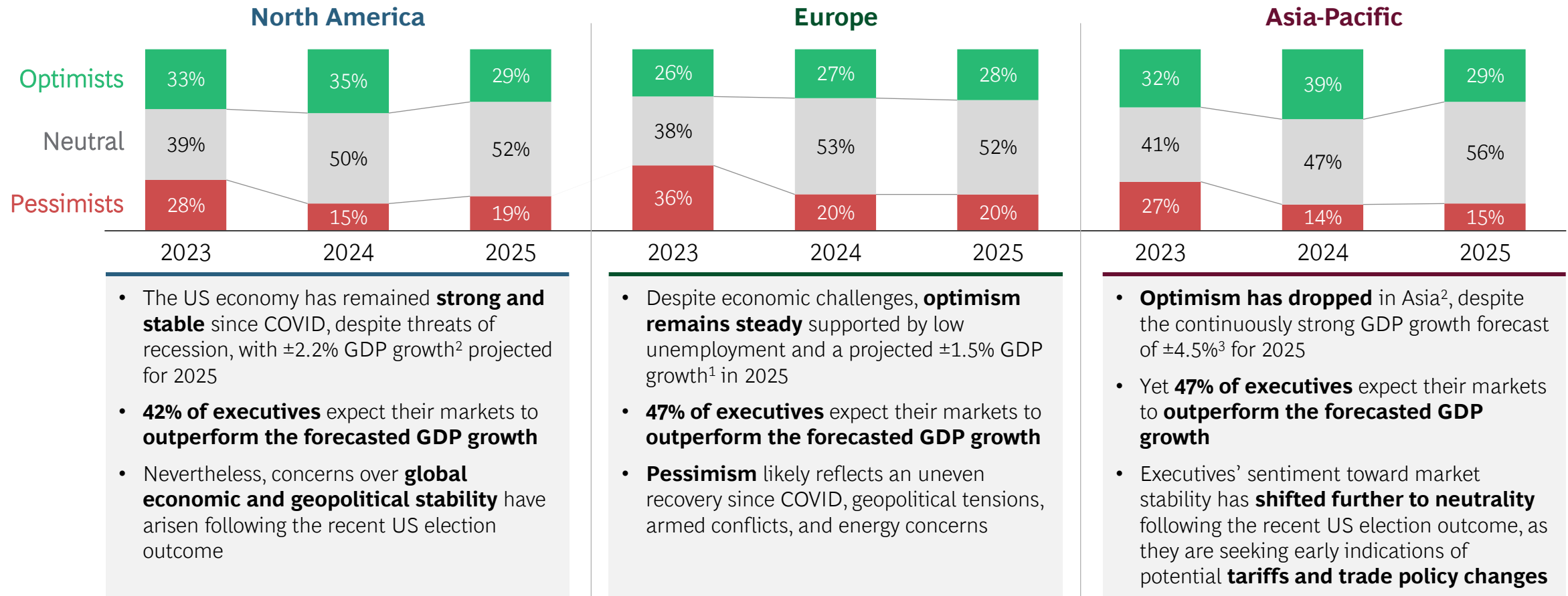
BCG Executive Perspectives

AGENDA

- ✓ Navigating the economic landscape of 2025
- ✓ Managing cost structures in 2025
- ✓ Unlocking sustainable growth

Executives show caution regarding 2025 outlook amid economic and geopolitical uncertainty

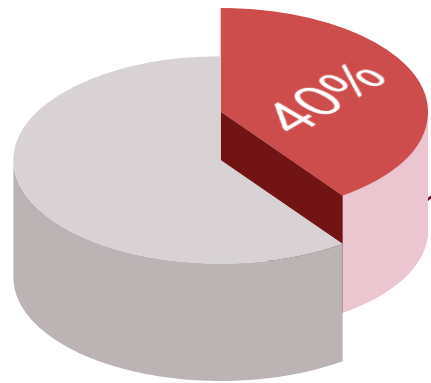
How do executives view the stability of the markets they are operating in?



1. IMF forecast (Oct. 2024) 2. Asia-Pacific countries including India, Australia, Japan, and South Korea 3. IMF forecast for ASEAN-5, used as conservative projection for important Asia-Pacific global economy players Source: BCG global executive survey on strategic priorities (N=570) Q4 2024; BCG analysis

40% of executives feel unprepared for market shocks heading into 2025

How prepared are executives for market shocks heading into 2025?



40% of executives continue to feel unprepared for potential future market shocks, despite navigating years of disruptions like COVID, supply chain crises, the ChatGPT launch, and other economic upheavals

Learn more about current challenges and risks:



Geopolitical tensions and supply chain

Ongoing conflicts impact trade and market stability; companies should use scenario planning and diversify supply chains to enhance resilience

[Read more about geopolitical risk management in strategic planning](#)



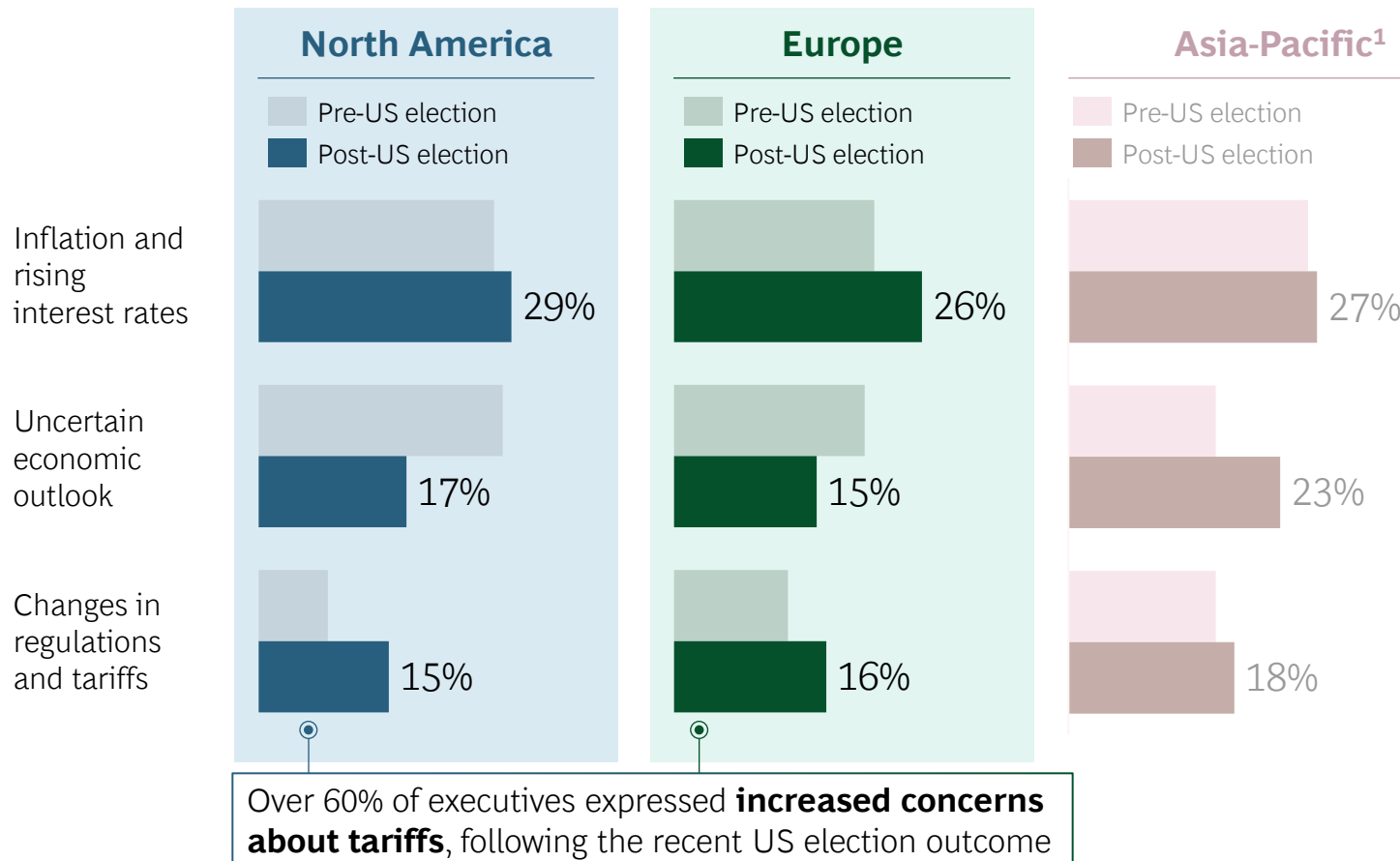
Rapid technological changes

Companies struggle to keep up with innovation yet need to adapt quickly by implementing new tech and upskilling employees

[Read more about the value in AI](#)

North American and European executives are increasingly concerned about margin pressure

What top macroeconomic factors do executives expect to affect their company performance in 2025?



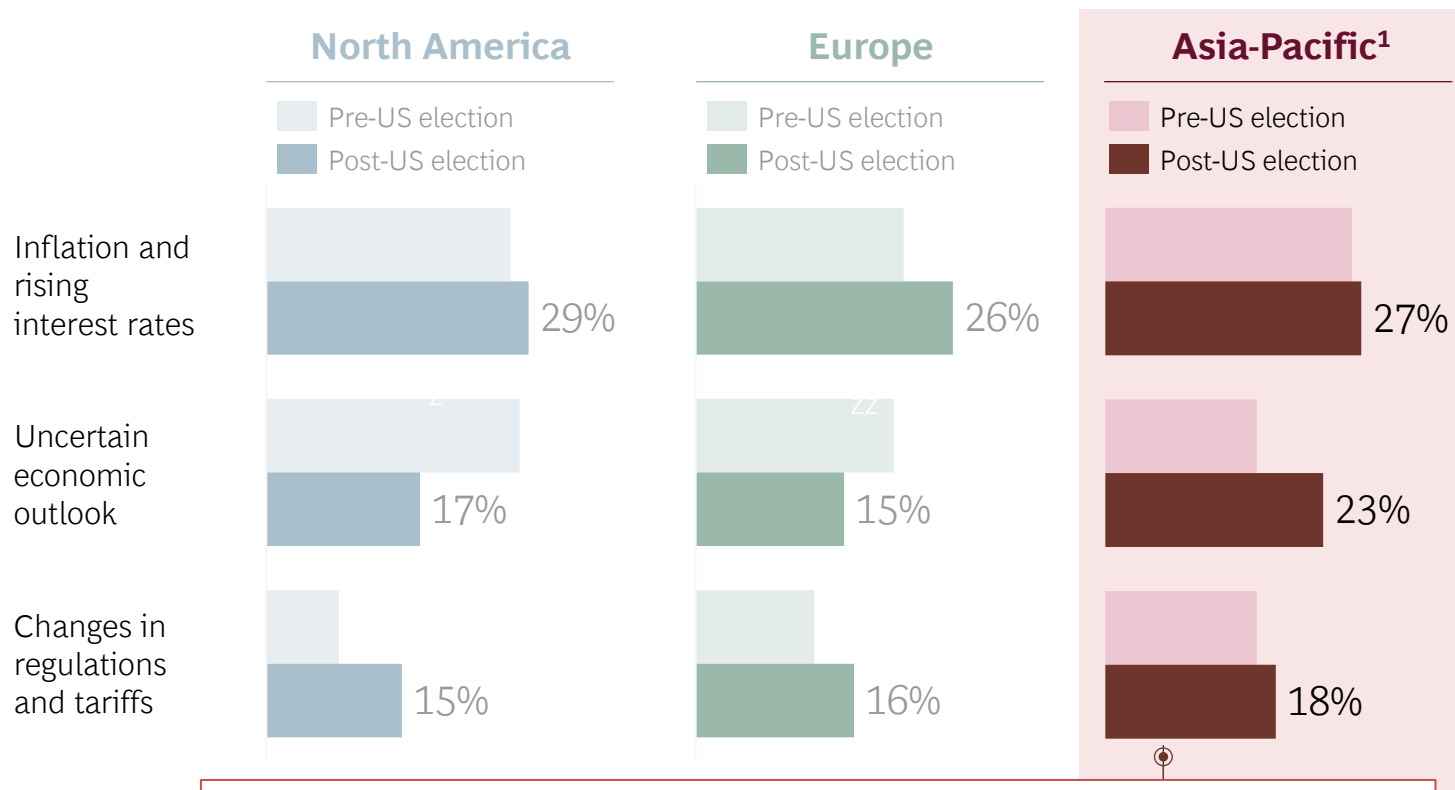
North American and European executives are **increasingly concerned about margins and profitability** as high interest rates, inflation, potential changes in regulations, and tariffs intensify pressures

Protectionist measures introduced by the recently elected US government could **reshape global trade dynamics, reducing trade flows and disrupting supply chain stability**—even before considering potential retaliatory actions

These measures, aimed at boosting domestic US manufacturing, **may accelerate local investments while discouraging offshoring**. For Europe, this could exacerbate existing competitiveness challenges

Asia-Pacific executives are concerned about impacts on exports that could slow economic growth

What top macroeconomic factors do executives expect to affect their company performance in 2025?



Over 60% of Asia-Pacific (excl. China) executives expressed **increased concerns about economic uncertainty and tariffs**, following the US election outcome

Asia-Pacific executives are navigating a complex economic environment marked by persistent inflation, varied monetary policy responses, and global trade uncertainties—all of which contribute to **heightened concerns over inflation and interest rates**

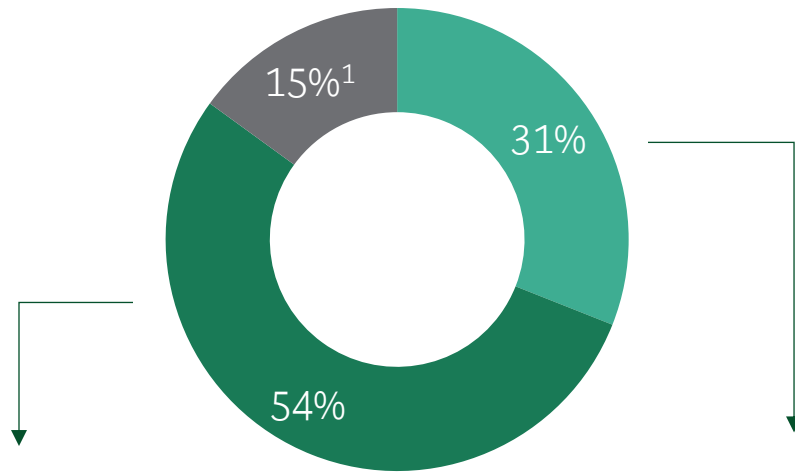
They are **increasingly concerned about economic uncertainty** stemming from the recent US election outcome, with **recession risks and US-China trade tensions** emerging as top underlying concerns

Potential geopolitical tensions in the region could further **erode investor confidence and disrupt global supply chains**, potentially reducing revenues and slowing economic growth in export-dependent Asia-Pacific economies

Note: Asia-Pacific countries excluding China
 Source: BCG global executive survey on strategic priorities (N=570) Q4 2024; BCG analysis
 1. Asia-Pacific includes India, Australia, Japan, and South Korea

Following the US election, 85% of executives are acting on tariffs and regulatory changes

What actions are executives taking in response to the US election outcome?



54% are actively monitoring

What top indicators are executives tracking, given the recent US election outcome?

1. Tariffs changes
2. Regulatory changes
3. Geopolitical conflicts
4. Supply chain disruption

31% have launched contingency plans

What top initiatives have executives launched, given the recent US election outcome?

1. Planning response to tariffs changes
2. Assessing impact of regulatory changes
3. Redesigning supply chain
4. Reviewing geopolitical risks and business impacts

Executives across regions express concern for supply chain disruption, driven by the potential reinstatement or escalation of tariffs and trade barriers, which could significantly impact companies' performances in 2025

Corporate leaders globally are **closely monitoring or assessing developments in geopolitical conflicts** in Eastern Europe and the Middle East, along with US-China trade tensions, as potential sanctions and the economic isolation of certain countries could have significant impacts on business operations such as energy prices, supply chain disruption

[Read more about managing geopolitical risk in the context of supply chains](#)

1. No immediate actions taken in response to the US election outcome
Source: BCG global executive survey on strategic priorities (N=570) Q4 2024; BCG analysis

BCG Executive Perspectives

AGENDA

- ✓ Navigating the economic landscape of 2025
- ✓ **Managing cost structures in 2025**
- ✓ Unlocking sustainable growth

Cost management remains the top priority for executives across regions and industries

What are the top three strategic priorities for executives heading into 2025?

#1



Cost management

33% of corporate leaders are prioritizing cost reduction as **most critical, +8pp compared with 2024**

#2



Growth/Expansion

Growth remains a focus, with **70% of executives reporting that they have sufficient mid-term visibility to make informed investment decisions**

#3



Revenue management

Executives are looking into pricing strategies to manage potential rising supply chain costs while addressing end-consumer pressures

In a challenging economic landscape, companies that prioritize **productivity growth through disciplined cost management** will outperform those that choose to absorb margin pressures or pass costs on to consumers

When it comes to cost efficiency, executives prioritize supply chain optimization and product portfolio simplification

What key cost drivers are executives prioritizing for optimization in 2025?

Top ranking across industries

#1



Supply chain optimization

#2



Product portfolio simplification

#3



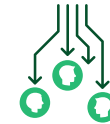
Operating model and workforce productivity

#4



Customer service operations

#5



Sales and marketing

Industries where each cost action is top-of-mind

Consumer
Industrials

Insurance
Technology
Finance

Industrials
Health care

Insurance
Finance

Technology
Consumer

While all companies prioritize cost management, there is **no one-size-fits-all approach**—it must be tailored to focus on areas that **strengthen the industry's competitive advantage**

To remain competitive, executives are prioritizing core operations, **optimizing supply chains, and streamlining product portfolios for cost efficiency**

[Read more about our latest thinking on cost excellence](#)

A cost-efficient and resilient supply chain reinforces competitive advantage



Supply chain optimization

Supply chains remain under relentless pressure from multiple directions:

- Geopolitical crisis
- Uncertain macroeconomic outlook
- Climate change and pressure of net zero commitments
- Technology disruptions
- Changing consumer expectations

Source: BCG analysis

Cost-efficient and resilient supply chains need to be managed across the value chain...

Dimensions

Optimization levers



Product development

- Modularize product design
- Design solution-oriented for fast-cycled processes and reduced bottlenecks



Planning

- Leverage digital scenario planning
- Engage AI in forecasting
- Align processes between supply chain and manufacturing



Procurement

- Deploy strategic global sourcing to identify best suppliers
- Ensure best prices through competitive tenders, benchmarking, should-cost models
- Enhance supplier relationship and develop joint innovation programs



Manufacturing

- Conduct material flow and utilization analysis
- Optimize plant layout and equipment
- Reassess service level and maintenance needs



Logistics and transportation

- Optimize logistics network
- Consolidate transport routes and explore shared services
- Reduce “rush shipments”



Warehousing

- Consolidate warehousing
- Explore digitization and automation
- Renegotiate capacity and rates

[Read more about future-proof end-to-end supply chain transformations](#)

A design-to-value optimization approach ensures a lean and competitive product portfolio



Product portfolio optimization

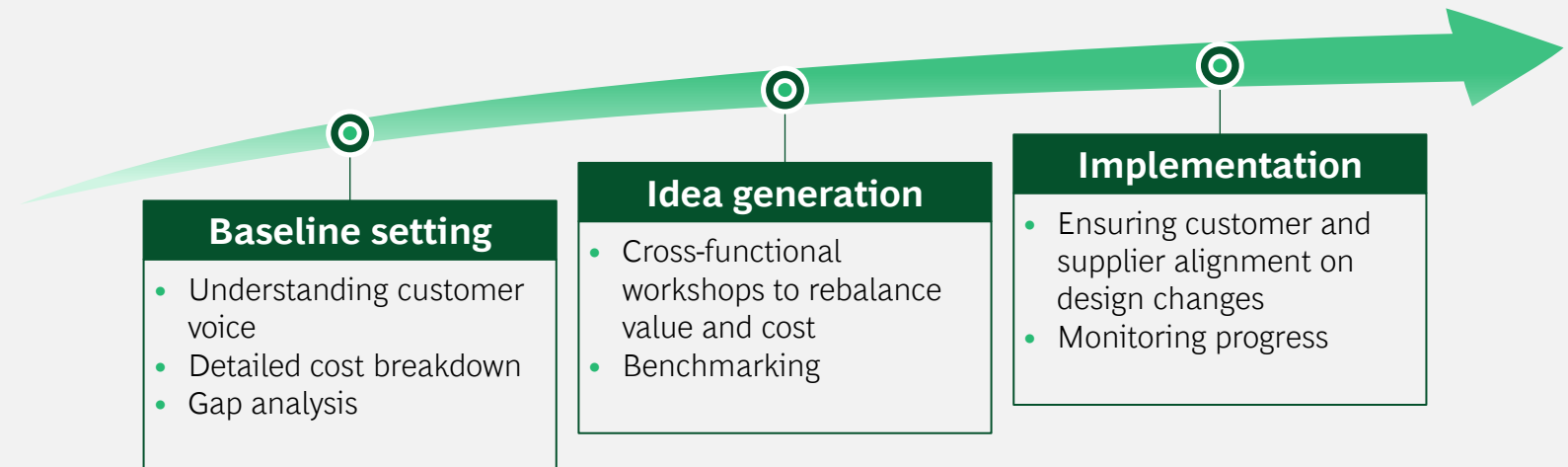
In fast-moving markets, growing product complexity and shifting priorities drive up structural costs and profitability pressures

- Product complexity and proliferation (e.g., too many SKUs)
- Raw material and component costs
- Manufacturing overhead and supply chain complexity
- Inventory holding costs
- Product development and R&D costs
- Life cycle management costs
- Marketing and sales expenses
- Regulatory and compliance costs

Focusing resources on high-value products while improving operation efficiency and reducing supply chain complexity

Optimization levers

- #1** | Eliminating the “tail” through consolidation to eliminate low-volume configurations while retaining volume and revenue
- #2** | A design-to-value approach with a customer-centric perspective helps to rebalance value and cost of the product portfolio



Companies struggle to achieve their cost targets

48%

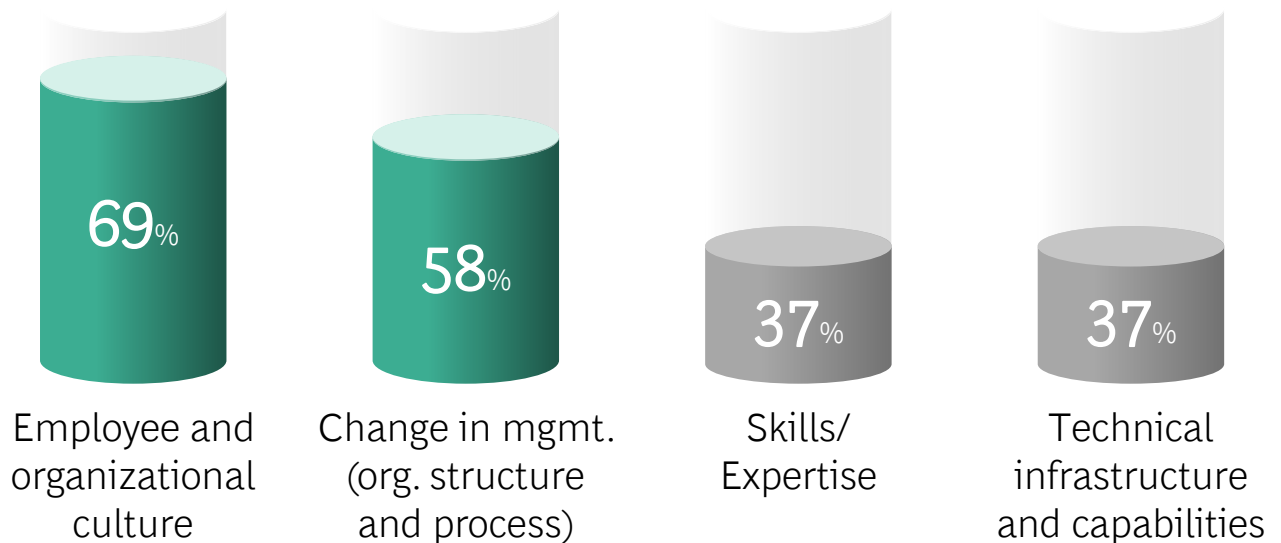
Average proportion of cost-saving target achieved by companies

50%

Proportion of companies failed to achieve long-lasting structural cost cutting

Companies failing to meet cost targets underperformed on total shareholder return by an average of **9pp** compared with the average TSR of peers that met their targets

What were the biggest challenges to the success of past cost reduction efforts?



Resistance to change can hinder implementation of new cost-saving measures and efficiency improvements; **however, firms with aligned culture and agile management see up to 11% higher efficiency in cost reduction initiatives**

A cost-conscious organizational culture is essential for successful cost management

Which measures are most effective for embedding cost awareness into daily operations?

Company performance visibility

79%

What types of company performance information are most effective?

- #1 Financial year targets and gaps
- #2 Specific cost-saving achievements and initiatives
- #3 Market trends and economic forecasts

Communications from organization leadership

62%

What types of communication from leaders are most effective?

- #1 Ensuring leaders model cost-conscious behavior
- #2 Regular executive-led town halls
- #3 Internal written updates from executives

Achieving cost excellence requires effective change management to **secure employee buy-in**

Clear communication and leadership transparency on company performance are key to embedding cost awareness into daily operations

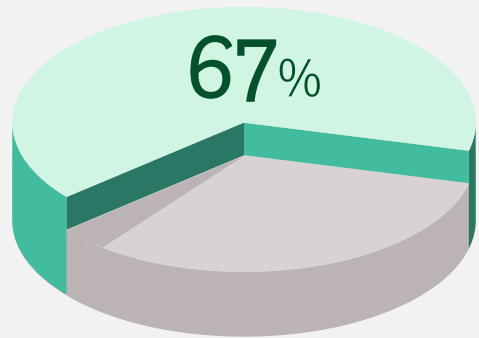
[Read more about how to sustain a cost-conscious culture over time](#)

BCG Executive Perspectives

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- ✓ Navigating the economic landscape of 2025
- ✓ Managing cost structures in 2025
- ✓ **Unlocking sustainable growth**

Laying solid foundations is crucial, as 67% of executives plan to reinvest cost savings into growth



Of executives plan to invest savings from cost reduction efforts into growth

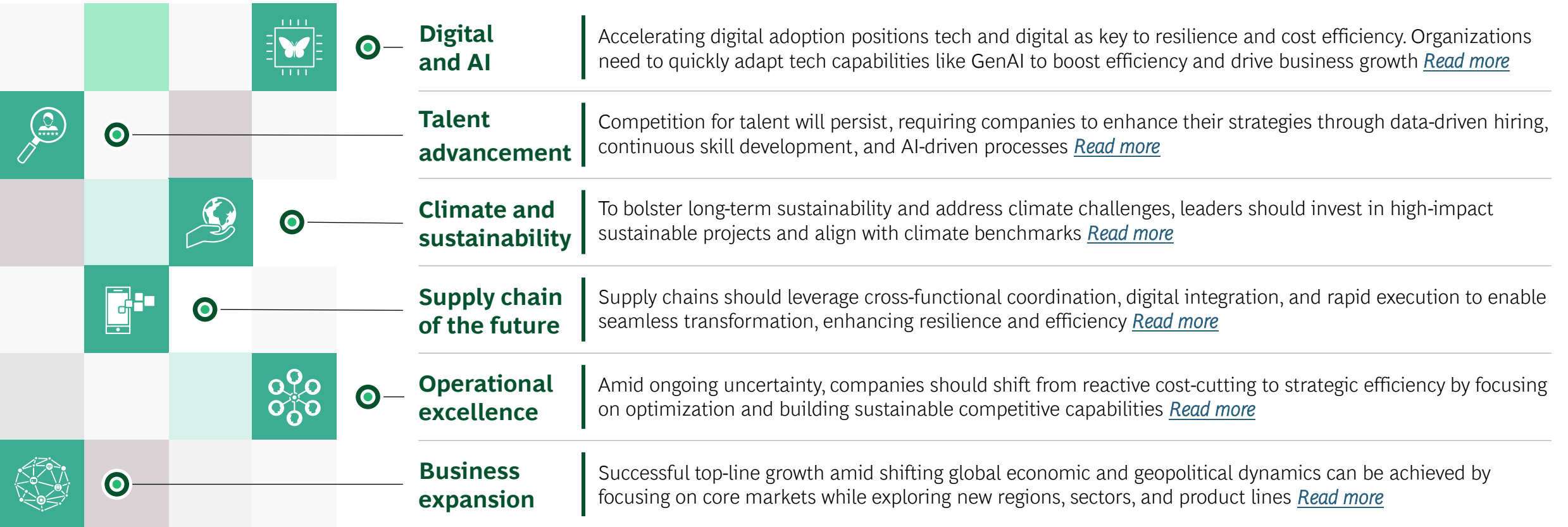
Enduring cost management fosters continuous improvement of HOW work is done...



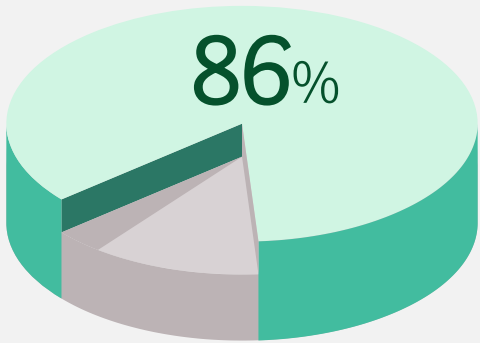
[Learn more about cost management foundations](#)

Organizations plan to use cost savings to support strategic investments

Strategic priorities vary for each organization, yet a few are highly relevant for most

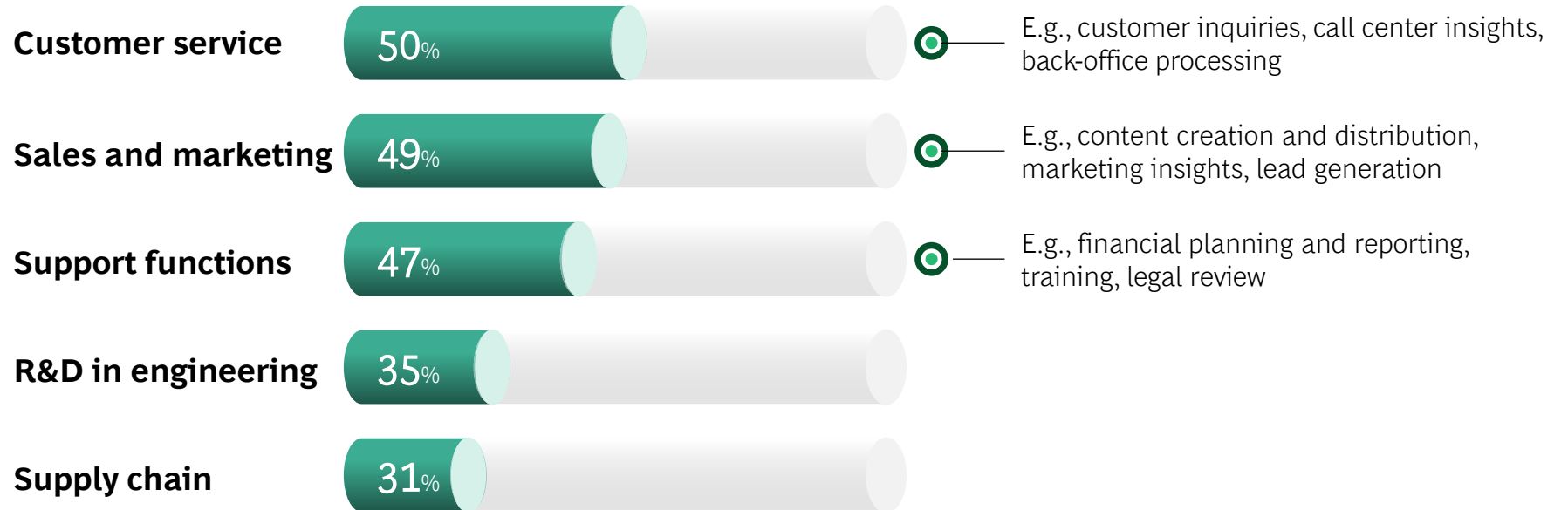


Executives see GenAI as a key pillar for future efficiency



Of executives plan to invest in AI and/or advanced analytics in 2025

Which applications of GenAI and advanced analytics can drive significant near-term cost reductions?



Investing in GenAI not only helps with cost reduction efforts, but also **boosts productivity, scales capacity, and supports growth** through continuous innovation

Executives can also use GenAI to tackle their top three strategic priorities for 2025

[Read more about unlocking impact with AI](#)

#1



Cost management

Automating processes, optimizing supply chains, and improving operational efficiency:

- Decrease labor cost by automating tasks in areas like customer service and content creation
- Use predictive models to enhance supply chain efficiency by forecasting demand and inventory levels
- Monitor and reduce energy consumption across facilities, directly impacting operating costs

#2



Growth/Expansion

Enabling employees to perform more complex tasks, speeding up workflows:

- Accelerate product development and innovation through AI, enhancing speed-to-market
- Drive growth with AI-powered upselling, personalized marketing, and quick adaptation to new markets
- Prioritize high-impact AI initiatives around large, homogenous resource pools, not just incremental automation

#3



Revenue management

Driving revenue by enhancing personalization and opening new revenue streams, including:

- Improve customer retention and upselling (e.g., churn prediction, targeted retention strategies)
- Enable personalized marketing (e.g., product recommendations, targeted campaigns)
- Assist in product innovation and accelerate development processes

BCG has deep expertise in cost management

Partnering with your organization to craft a cost program that creates enduring impact

We leverage our unique strengths and approach to transform your organization, delivering lasting structural cost savings that fuel growth



Strategic cost optimization with growth focus

We design lean cost structures that drive savings without limiting growth, aligning cost management with your strategic objectives



Empowered culture and continuous improvement

We foster a culture of continuous improvement, empowering employees to take accountability, ensuring sustainable progress even after our engagement



Customized expertise and reliable execution

We deliver tailored cost solutions for competitive advantage leveraging our deep industry expertise, ensuring end-to-end focus and reliable outcomes



Advanced digital & AI capabilities and data-driven insights

We embed cutting-edge digital and AI tools in operations, enabling data-driven decisions for enhanced operations efficiency and productivity



Collaborative partnership and lasting impact

We work hand-in-hand with your leaders, ensuring projects are co-created for lasting results that stick, with a “done with” partnership mentality

BCG cost experts



Paul Goydan
Managing Director
& Senior Partner
Houston



Jacopo Brunelli
Managing Director
& Senior Partner
Milan



Namit Puri
Managing Director
& Senior Partner
New Delhi



Dwight Hutchins
Managing Director
& Senior Partner
Boston



Karin von Funck
Managing Director
& Senior Partner
Munich



Kevin Kelley
Managing Director
& Senior Partner
Dallas



Michael Grebe
Managing Director
& Senior Partner
Munich



Rashi Agarwal
Managing Director
& Partner
New York



Jochen Schönfelder
Managing Director
& Senior Partner
Cologne



Mai-Britt Poulsen
Managing Director
& Senior Partner
London

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