

Why Cost is Now Defining Performance in *Consumer Goods and Luxury Companies*



Consumer Goods and Luxury leaders are under pressure to deliver margin, cash, and resilience simultaneously in 2026. Operating costs are structurally high, and pricing power is increasingly constrained by value-driven, highly polarized consumers.

Operational cost reduction has therefore moved back to the heart of executive agendas. It is no longer treated as a short-term efficiency exercise, but as a structural driver of customer responsiveness, commercial growth, and long-term performance.

Traditional Cost Reduction is no *Longer a Tactical Move*

Many organizations continue to rely on traditional reduction programs that deliver visible savings quickly but fail to hold over time. The result is a recurring cycle of cost take-out initiatives that weaken confidence, constrain agility, and allow cost to occur elsewhere in the organization.

Cost pressure is no longer cyclical. While inflation fluctuates, structural drivers persist across labor, logistics, tariff volatility, and sustainability compliance.

At the same time, shifting consumer preferences limit the ability to offset cost increases through pricing without affecting volume or brand equity.

Most organizations have already captured the most accessible savings. Budget controls, discretionary spend reductions, and across-the-board targets may improve near-term results, but they rarely address the underlying causes of end-to-end cost inefficiency. In practice, cost often returns in different forms, including:

Additional coordination layers

Duplicated activities across regions or functions

Lack of external collaboration with suppliers, 3PLs, retailers, etc....

Slower decision-making

Increased operational complexity

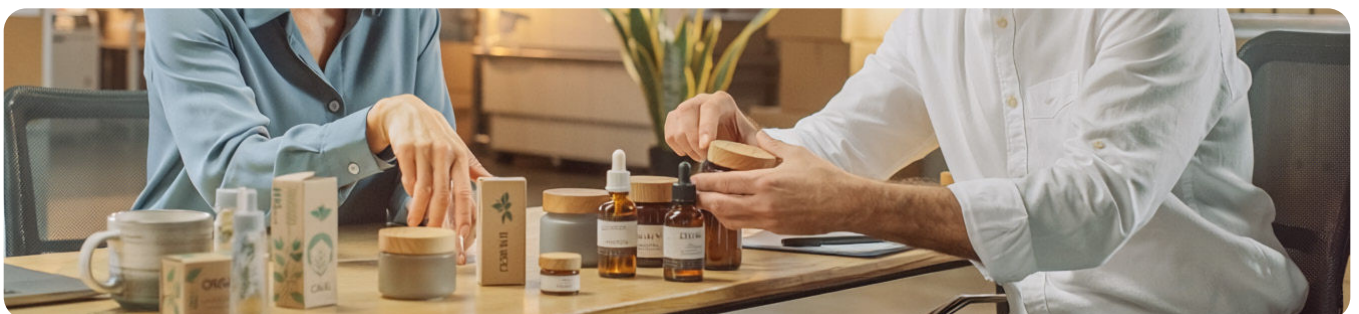
In many cases, short-sighted cost programs introduce significant commercial risks. Service levels weaken, on-shelf availability suffers, and teams compensate through informal workarounds. These adaptations typically rebuild cost within twelve to eighteen months while actively damaging the customer experience.

As a result, executives increasingly ask a different question: *Will these savings structurally lower our cost to sell, improve product availability, and remain in place next year?*

External research highlights similar challenges in how consumer goods organizations operate. Many companies continue to rely on fragmented data

structures and decentralized decision-making, which limit visibility on performance and slow execution [[2026_CGT_RetailAnalyticsStudy](#)]. As complexity increases across portfolios, networks, and channels, these limitations contribute directly to higher cost, frequent out-of-stock scenarios, and reduced market responsiveness.

This reinforces a broader point: technology alone does not reduce costs or drive growth. Without alignment of processes, roles and decision rights, new tools add layers of complexity rather than removing them. Structural cost reduction requires first establishing how the organization operates, so that data and analytics can support consistent, fact-based decisions.



Cost is a Consequence of *how the Business Operates*

Organizations achieving lasting cost reduction share a mutual understanding: cost is not an issue to address directly, but the outcome of how work is organized and executed.

Over time, complexity accumulates across operating models. Product portfolios expand through frequent launches and promotions, which ironically dilutes focus on core, high-demand items and increases out-of-stock risks. Processes multiply to manage exceptions. Decision rights fragment across functions and geographies. Organizational layers increase in the name of control.

Each decision may appear justified in isolation. Combined, they create end-to-end operating systems that are expensive to run, slow to adapt, and inherently detached from the end consumer.

Removing cost without addressing these structural drivers leads to fragile results. Cost may decline temporarily through pressure, but it reappears as complexity, workload, and coordination adapt around the change. Sustainable cost reduction starts with examining how the system works, not only where money is spent.

This structural perspective is reinforced by how organizations use data and analytics. As complexity increases across portfolios, networks and customer channels, it becomes harder to identify and manage cost drivers and service bottlenecks without consistent, fact-based decision-making. However, several consumer goods organizations continue to operate with fragmented data structures spread across functions and regions. This fragmentation creates duplication of effort, limits visibility on performance, and slows decision-making—contributing directly to higher cost and lost sales.

When data is aligned with processes and decision roles, it enables a clearer view of cost to sell and its underlying drivers. Embedded into daily and weekly management routines, this visibility supports more consistent decisions on portfolio simplification, resource allocation, and operational priorities. In this context, analytics does not reduce costs by itself but helps make structural cost drivers visible and actionable within the operating model.



From Budget Control to *Operating Model Advantage*

Leading organizations delivering lasting cost performance take a different approach. Rather than focusing on line items, they redesign how work is performed from end to end, pivotally shifting toward a customer-centric operating model.

This typically includes:



Clarifying roles and decision rights:

Accelerating execution and reducing duplication to respond dynamically to changing consumer demands.



Aligning resources with value creation:

Redirecting capital and human capacity toward consumer-facing priorities and growth drivers.



Standardizing ways of working:

Implementing consistent execution across sites and functions to lock in operational predictability.



Simplifying portfolios: Removing low-value products and customized activities that inflate cost to sell and choke production lines, thereby directly reducing out-of-stocks on high-velocity items.

This shift changes the nature of cost reduction. It moves from a defensive, insulating exercise to an offensive operating model advantage. When complexity is addressed at the source, cost reductions become embedded in daily operations, simultaneously improving product availability and service delivery.

Importantly, this approach provides cost certainty and fuels top-line growth. Savings are measurable and repeatable, freeing up the commercial capacity to invest in brand equity, sustainability, and supply chain resilience without relying on short-term tradeoffs.

Turning Strategic Intent into *Measurable Impact*

Executives often ask what structural, customer-centric cost reduction looks like in practice. The answer lies in how operations are managed day-to-day, not only in planning cycles.

Following a major corporate separation, a global branded products company experienced rising operational costs and escalating out-of-stocks driven by instability across its manufacturing network. Fragmented practices, inconsistent performance management, and reliance on external production increased unplanned stops, reduced productivity, and raised the cost to sell.

Collaborating with the client, EFESO implemented a focused six-month transformation across production lines. The program addressed structural cost and availability drivers through:

- A redesigned operational performance framework adapted to the business environment.
- Capability building from shop floor teams to global leadership, centered on customer-service metrics.
- Standardized daily management and run-on-target practices to stabilize supply.

The impact was measurable. Unplanned stops were reduced by 30 percent across the pilot lines, operational stability improved, and out-of-stock incidents declined sharply without increasing inventories. Teams gained clearer visibility into how daily operational actions influence both structural cost and ultimate product availability on shelves.

Beyond the initial results, the organization validated an operating model designed to sustain lower structural cost and higher service reliability across the broader manufacturing network.

What Separates Short-Term Gains from *Lasting Performance*

For leaders, operational cost is no longer an execution topic. It is a strategic leadership issue that shapes how resilient the organization is, how quickly it can adapt to market trends, and how confidently it can invest in growth.

This example highlights a consistent pattern. Lasting cost improvement and enhanced customer-centricity do not result from isolated initiatives. They come from system-level change. By redesigning operating models, reducing complexity, and embedding new ways of working, organizations create conditions where cost remains structurally lower, out-of-stocks are minimized, and profitable growth is sustained over time.

Confidence is built not through short-term savings announcements, but through customer-centric operations that deliver consistent, measurable results over time.





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