

# A COUNTERARGUMENT

Targeted IT investments may provide more value than traditional budget cuts.

ACTION	TECHNOLOGY FOCUS	BENEFIT*
Traditional IT cost reduction	Typical IT cost levers, including demand management, portfolio rationalization, and outsourcing/offshoring	■ 0.5%
Merchandising investments	Improve decision support for merchandising retailers	■       1-2%
Supply-chain investments	Optimize supply-chain process with streamlined systems	■       3-4%
Better pricing	Centralize data in order to reduce revenue leakage from unnecessary discounting and poor sales-force management	■       3-5%

\*Impact on run-rate EBIT (earnings before interest and taxes; assumes run rate of 6–18 months)

Source: McKinsey & Co., 10/08