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SIGHTS

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Cost optimisation - Why SMEs need to act now!





Uncertain times require strategic cost management

In a time characterised by uncertainty, in which inflation, geopolitical tensions, disrupted supply chains and fluctuating demand determine the economic climate, small and medium-sized enterprises (SMEs) are facing major challenges. Rising costs in particular are putting many companies under pressure. While the focus to date has often been on sales growth and market expansion, another lever is now increasingly becoming the focus of management: targeted and sustainable cost optimisation - particularly in the area of direct and indirect materials.

Direct materials: High cost effect with high controllability

Direct materials are those raw materials, components or preliminary products that are used directly in the company's own service provision - for example in the manufacture of a product or the provision of a service. In many manufacturing industries, they account for 40 to 70 per cent of total costs. Price increases in this segment therefore have a direct impact on margins. In view of global supply bottlenecks and unstable markets, it is essential for SMEs today to scrutinise their procurement strategies. Potential savings can be made by introducing dual or multi-sourcing strategies, negotiating framework agreements with price escalation clauses or replacing cost-intensive materials with technically equivalent alternatives, among other things.

Indirect materials: the hidden savings potential in day-to-day operations

Even more often overlooked are the indirect materials - services and goods that are not directly incorporated into the product but are necessary for its operation. These include energy, office materials, IT services, maintenance and external consultants. Even if these costs often appear fragmented and difficult to grasp, they account for 15 to 40 per cent of total expenditure in many companies. The lack of transparency regarding contracts, requirements and suppliers means that considerable efficiency potential remains untapped in this area. Even simple measures such as the standardisation of orders, the introduction of central catalogue systems or the consolidation of the supplier landscape can have a noticeable effect here.

Why SMEs should optimise right now!

But why is now the right time to prioritise this issue? Firstly, consistent cost management strengthens economic resilience. In times of crisis, companies with a lean cost structure are better equipped to deal with fluctuations in turnover, can cushion liquidity bottlenecks and retain their entrepreneurial capacity to act. On the other hand, market dynamics open up new scope for negotiation. Many suppliers are under pressure themselves and are becoming more flexible when it comes to price reductions, payment terms or contract periods. Those who are prepared and act professionally here will gain a clear competitive advantage.

Last but not least, the liquidity freed up through targeted savings also creates space for future-oriented investments - for example in digitalisation, sustainability or personnel development. A streamlined cost structure can become a strategic enabler, especially in an environment in which new technologies and regulatory requirements demand a high willingness to invest. It is important to allocate existing resources wisely - and not to lose money where it could be saved with little effort.

Five steps to structured cost optimisation

1. **Creating transparency - data analysis as a foundation:**

The first step towards successful cost optimisation begins with creating transparency. The basis for this is a comprehensive spend analysis that systematically breaks down all costs by product group, business unit and supplier. This database often reveals previously unrecognised weak points: redundant contracts, duplicate expenditure or unused procurement volumes. Only those who know where the funds are actually going can make well-founded decisions for targeted savings measures.

2. **Realise quick wins - start with immediate measures:**

Based on this transparency, so-called "quick wins" can be realised in the second step - short-term measures with direct efficiency gains. These include, for example, checking that existing framework agreements are up to date, combining orders into larger quantity units or cancelling unnecessary services



and subscriptions. These measures do not require long lead times, but have an immediate impact on the income statement.

3. **Professionalisation of supplier management:**

In the third step, the focus shifts to supplier management. The aim here is not only to negotiate prices, but also to rethink the strategic orientation of supplier relationships. The regular evaluation and classification of suppliers - for example based on reliability, contribution to innovation or service quality - provides the basis for active relationship management. Establishing long-term partnerships with efficient partners can not only reduce costs, but also increase quality and innovative strength.

4. **Digitalisation of procurement:**

The fourth step - the digitalisation of procurement - should be pursued in parallel. The use of eProcurement systems enables automated ordering processes, digital authorisation workflows



and transparent invoice processing. Such solutions reduce process costs, prevent uncontrolled individual orders (maverick buying) and create seamless traceability. For SMEs in particular, this offers great leverage with manageable implementation costs.

5. Sensitise and involve employees:

A fifth, often underestimated aspect is the involvement of employees. Cost awareness should not be a task for the purchasing department alone - it should become a living culture throughout the company. Training, clear guidelines and incentive systems for savings ideas can help to embed cost awareness in all areas. An optimisation programme can only be fully effective if everyone involved pulls together.

Cost optimisation as an economic stabiliser and strategic growth driver

For SMEs, the targeted optimisation of direct and indirect costs is far more than a short-term reaction to a difficult market environment - it is an effective lever for sustainable economic stabilisation, increasing efficiency and securing the future. Companies that actively work on their cost structure now will realise concrete financial benefits on several levels.

- Firstly, a streamlined cost structure directly strengthens the liquidity position. Reduced expenditure on purchasing, services and operating costs leads to greater self-financing power, which can be crucial, especially in phases of fluctuating demand or declining sales.

This enables SMEs to make necessary investments - for example in digitalisation, energy efficiency or the development of skilled workers - from their own resources without having to rely on external financing.

- Secondly, key business indicators improve measurably. An increased EBIT margin, a more favourable working capital turnover or lower fixed cost ratios not only have a positive effect on creditworthiness and credit standing, but also on the company's rating with banks and investors. This results in better financing conditions and greater entrepreneurial freedom.
- Thirdly, the strategic ability to act increases. Companies with optimised costs have more leeway to react to market changes at short notice - for example through price adjustments, product innovations or targeted marketing measures. At the same time, competitiveness increases compared to competitors who continue to work with non-transparent or outdated cost structures.
- Fourthly, the corporate culture is positively influenced. A professional, systematic approach to costs sensitises employees to efficiency, personal responsibility and sustainable management. This strengthens company-wide cost awareness and leads to a long-term cultural change in which the focus is not on saving money, but on the value-adding use of resources.

Ultimately, successful cost optimisation creates the basis for organic growth. The freed-up funds can be reinvested in a targeted manner - in innovation, new busi-

ness models or the expansion of market shares. This means that cost control does not become a brake on growth, but rather a catalyst for an entrepreneurially proactive strategy for the future.

SMEs in particular that not only want to hold their own in the current economic situation, but also maintain their position in the long term, are therefore well advised to realise the potential in direct and indirect purchasing professionally.

With a strong implementation partner like ADCONIA GmbH at their side, this is not only quicker, but also more structured, sustainable and measurably more successful.

The right support: Why Adconia is the right partner!

Especially for SMEs with limited internal resources, external support from experienced consultants is crucial in order to implement these steps in a structured, measurable and sustainable manner. This is where ADCONIA GmbH comes into play - an independent consultancy specialising in practice-oriented cost optimisation and efficient procurement processes for SMEs.

ADCONIA's service package covers all relevant phases: from the initial purchasing analysis (including spend structure and benchmarks) to the identification and implementation of short-term savings measures and the development of professional supplier and product group management. ADCONIA also supports its customers in the selection and introduction of digital procurement solutions - always customised to the size, industry and maturity level of the company.

What particularly characterises ADCONIA is its partnership-based, implementation-oriented approach. Instead of pure strategy papers, the focus is on tangible results - in the form of concrete savings, improved processes and increased cost awareness within the company. The consultants have extensive industry knowledge, speak the language of SMEs and know how to set changes in motion pragmatically and effectively - even under challenging conditions.

ADCONIA - Out of the ordinary.

Consulting for procurement, supply and value chain with a focus on cost management, digitalisation, organisational development and sustainability.



Autor

Sven Comes
Manager






ADCONIA