

Economic Value Addition Through Cost Optimization – A Study of Selected Consumer Product Companies

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Abstract — The global economic meltdown had affected the world economy in general and corporate world in particular. The corporate world had experienced the pressure of economic meltdown in the form of fall in business volume and profitability. There is lot of pressure on corporate world to create value for shareholders. This has forced them to relook into their corporate strategies especially in the area of cost management. Now, the corporate companies around the world and in India are developing cost management strategies to reduce cost, optimize cost and increase value for shareholders. Not much work has been done abroad focusing on value creation through cost optimization. No work had been in India on this area. This has encouraged the researcher to take up the present study. Consumer product sector was selected for the purpose of study. Five market leaders in the consumer product sector were selected for the study. Cost and financial data for the period of 2008 to 2012 was collected from annual reports and other records of the companies.

Keywords – *Cost Optimization; Beta; Economic Value Added; Employees Cost; Cost of capital; cost centers.*

I. INTRODUCTION

Global economic meltdown has putting lot of pressure on the bottom-line of corporate India. Further, raising cost and inflation had added fuel to fire. This has forced the corporate India to evolve new ways and means for managing cost. Now, cost optimization is emerging as new tool of managing business. Cost optimization refers to value creation through cost minimization. Cost optimization is possible in all cost centers such as purchase dept., storage dept., production dept., administrative dept, finance dept., sales dept., packaging dept., advertising dept., transportation dept., etc. The magnitude of impact of raising cost and inflation is soaring in case of consumer product manufacturing sector. The consumer product manufacturing companies were struggling hard to manage their cost. The companies have initiated various cost cutting measures. But, none of the companies are focusing on cost optimization. This has motivated the researcher to take up the burning issue faced by consumer product manufacturing sector in India. This paper makes an attempt to probe and analyze the relationship between cost components and structure and value addition. The study also aims at knowing the awareness level among cost managers about cost optimization and impact of

cost cutting measures on value creation. Based on the outcome, the researcher aims to suggest cost optimization strategies for the companies which in turn may benefit the companies to improve their bottom-line and create value for shareholders.

II. LITERATURE REVIEW

Aziz Moallen (2006) examined the optimization of cost of production line of a factory and developed a algorithm solution for the same. Kanahalli. B.M. (2013) had conducted a study on Cost optimization strategies of food and beverages sector in India. According to him, Cost optimization is not a one-time exercise. It is continuous process and it aims at taking holistic view about various functional areas of management, identifying waste, potential areas of improvement, etc without compromising on quality of product. Mittel. P.K. et. al. (2007) examined the issue relating to cost optimization in cement industry in India and suggested a approach and framework for an effective study for achieving the benefits. Neetha Bapurikar (2012) in her study attempted to develop approaches to building competitive advantage which in turn help in reducing strategic cost in financial services institutions. According to her firm that make the organizational commitment, to design, implement and monitory strategic cost reduction programme can achieve dramatic increase in its efficiency. Saurine Doshi et. al. (2009) is of the view that controlling total delivered cost of products is key to profitability. He has suggested that the company should adopt strategic sourcing, re-designing distribution networks, etc. to achieve cost optimization objectives.

III. OBJECTIVES

- To find out the awareness level among cost managers about cost optimization
- To know the cost trend of different cost centers.
- To establish the relation between cost and value addition
- To know the impact of cost cutting measures on value creation

- To offer suggestion for value creation through cost optimization.

IV. RESEARCH METHODOLOGY

Cost optimization areas identified for the purpose of study include employees cost, material cost, operating cost and financial cost. Consumer fast moving sector which was badly affected by rising cost and inflation was selected for the purpose of study. The sample companies selected include Dabur India Ltd, ITC Ltd, Hindustan Unilever Ltd, Britannia and Nestle India Ltd. Accounting data starting from 2008-09 to 2012-13 were collected. The secondary data sources include journals of Accounting and Finance, Management Accounting, Indian journal of finance, Business line and Economic Times newspaper. The Economic Value Added of selected sample companies was calculated using $EVA = NOPAT - \text{Cost of Capital}$, Where $NOPAT = \text{Net operating after tax}$, $\text{Cost of Capital} = \text{Total capital} \times \% \text{ overall cost of capital}$. Cost of equity had been calculated by using CAPM methodology. The relationship was established between EVA and respective identified costs by using correlation technique finally analysis was carried out to know whether there is cost optimization or not.

V. LIMITATIONS OF THE STUDY

The study is restricted to few cost centers of sample companies. The storage dept., production dept., Sales dept.,

Packaging dept., advertising dept., transportation dept., etc were excluded from the preview of study. Further, consumer durable sector which had also badly affected by raising cost and inflation were not studies.

VI. ECONOMIC VALUE-ADDED

It is a tool of monitoring and measuring the performance of business. It is calculated by deducting cost of capital from after-tax cash flow generated by a business. It can help the company in business planning. The researcher tried to use EVA as a mean of measurement of relationship between various cost and EVA itself.

VII. DATA ANALYSIS

A. Dabur India Ltd.

Dr. S.K. Burman started a small scale enterprise in the year 1884 to manufacture healthcare products. Over a period of time, the enterprise had grown and in the year 1936 Dabur India limited becomes a full-fledged company. This company is the fourth largest FMCG Company in India with revenue of over Rs.6146 crore and market capitalization 5 billion of US dollar. Dabur operates in key consumer products categories like Hair care, oral care, Health care, skin care, Home care and Foods. The impact of employee cost on economic value added is presented in table-I.

TABLE I. YEAR-WISE EMPLOYEE COST AND EVA (IN CRORE)

Year	Employee Cost	% change	Beta	Rf %	Rm %	COC %	NPBT	Tax	NOPAT	COC	EVA	% Change
2008-09	149.69	-	0.06	0.04	0.85	-0.01	365.18	48.4	316.78	13.56	303.21	-
2009-10	167.37	11.77	1.03	0.06	0.15	-0.09	425	51.44	373.56	5.10	368.45	21.51
2010-11	212034	26.89	-5.47	0.07	-0.25	-1.82	527.03	93.7	433.33	-305.21	738.54	100.44
2011-12	230.84	8.71	-0.19	0.09	0.29	0.06	596.26	124.85	471.41	23.90	447.50	-39.40
2012-13	243.37	5.42	0.85	0.08	-0.08	0.12	631.92	123.79	508.13	40.56	467.56	4.48

The table-I shows that there is no correlation between employee cost and economic value added. It can be concluded that change in employee cost does not contribute to change in economic value added. In other words, the cost optimization of employee does not have any bearing on economic value added.

material cost had led to increase in EVA in 2010-11 and increase in material cost during 2011-12 had led to decrease in EVA. Therefore, it can be concluded that there is opportunity for cost optimization in the area of material cost.

TABLE II. YEAR-WISE MATERIAL COST AND EVA (IN CRORE)

Year	Material cost	%Change	EVA	% Change
2008-09	1026.98	-	303.21	-
2009-10	1271.74	23.83	368.45	21.51
2010-11	1393.97	09.61	738.54	100.44
2011-12	1740.68	24.87	447.50	-39.40
2012-13	2092.87	20.23	467.56	4.48

The table-II shows reveals that there is correlation between material cost and economic value added. The decrease in

TABLE III. YEAR-WISE OPERATING COST AND EVA (IN CRORE)

Year	Total cost	%Change	EVA	% Change
2008-09	1706.82	-	303.21	-
2009-10	2003.12	17.35	368.45	21.51
2010-11	2325.50	16.09	738.54	100.44
2011-12	2728.36	17.32	447.50	-39.40
2012-13	3158.74	15.77	467.56	4.48

The table-III exhibits that there is correlation between operating cost and economic value added. The decrease in operating cost during 2010-11 had resulted into increase in

EVA and slight increase in operating cost during 2011-12 had led to great fall in EVA. Therefore, it can be concluded that the operating cost and EVA are strongly correlated with each other.

led to great fall in EVA. Therefore, it can be concluded that the financial cost and EVA are strongly correlated with each other.

B. ITC Ltd.

TABLE IV. YEAR-WISE FINANCIAL COST AND EVA (IN CRORE)

Year	Interest	Pref. Dividend	Equity Dividend	Total FC	% Change	EVA	% Change
2008-09	10.92	-	129.60	140.52	-	303.21	-
2009-10	14.47	-	151.39	165.86	18.03	368.45	21.51
2010-11	13.28	-	173.60	186.88	12.67	738.54	100.44
2011-12	12.93	-	200.19	213.12	14.04	447.50	-39.40
2012-13	13.40	-	226.47	239.87	12.55	467.56	4.48

The table-IV shows that there is strong correlation between financial cost and economic value added. The decrease in financial cost during 2010-11 had resulted into increase in EVA and slight increase in financial cost during 2011-12 had

ITC was incorporated in the year 1910 under the name Imperial Tobacco Company of India Limited. As the Company's ownership progressively Indianized, the name of the Company was changed from Imperial Tobacco Company of India Limited to India Tobacco Company Limited in 1970 and then to I.T.C. Limited in 1974. In recognition of the Company's multi-business portfolio encompassing a wide range of businesses - Fast Moving Consumer Goods comprising Foods, Personal Care, Cigarettes and Cigars, Branded Apparel, Education and Stationery Products, Incense Sticks and Safety Matches, Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business and Information Technology - the full stops in the Company's name were removed with effective from 18th September 2001. The Company now stands rechristened 'ITC Limited'. The correlation between employee cost and EVA was presented in the table-V.

TABLE V. YEAR-WISE EMPLOYEE COST AND EVA (IN CRORE)

Year	Employee Cost	% change	Beta	Rf %	Rm %	COC %	NPBT	Tax	NOPAT	COC	EVA	% Change
2008-09	745	-	0.29	0.04	0.85	0.27	4571.77	1480.97	3090.8	152.33	2938.46	-
2009-10	903.37	21.25	1.18	0.06	0.15	0.11	4825.74	1565.13	3260.61	136.08	3124.52	6.33
2010-11	1014.87	12.34	-2.51	0.07	-0.25	0.80	6015.31	1965.43	4049.88	700.28	3349.59	7.20
2011-12	1178.46	16.11	-3.25	0.09	0.29	-0.66	7268.16	2287.69	4980.47	-431.12	7699.28	129.85
2012-13	1265.41	7.37	3.38	0.08	-0.08	-0.57	8897.53	2737.08	6160.45	-367.43	9264.96	20.33

The table-V reveals that there is correlation between employee cost and EVA. The employee cost is having direct bearing on the EVA as increase in employee cost has resulted into decrease in EVA and vice-versa.

The table-VI shows that there is no correlation between operating cost and economic value added. The OC and EVA are positively correlated with each other. The fact is that the increase in OC has resulted in increase in EVA which is against the theory of cost optimization.

TABLE VI. YEAR-WISE OPERATING COST AND EVA (IN CRORE)

Year	Total cost	%Change	EVA	% Change
2008-09	9615.51	-	2938.46	-
2009-10	10694.09	11.21	3124.52	6.33
2010-11	11987.59	12.09	3349.59	7.20
2011-12	14230.22	18.70	7699.28	129.85
2012-13	16317.60	14.66	9264.96	20.33

TABLE VII. YEAR-WISE MATERIAL COST AND EVA (IN CRORE)

Year	Material cost	%Change	EVA	% Change
2008-09	6307.79	-	2938.46	-
2009-10	6864.96	08.83	3124.52	6.33
2010-11	7140.69	04.01	3349.59	7.20
2011-12	8601.13	20.45	7699.28	129.85
2012-13	9933.19	15.48	9264.96	20.33

The table-VII shows that there is strong correlation between material cost and economic value added. The decrease in material cost during 2010-11 had resulted into increase in EVA and increase in material cost during 2011-12 had led to fall in EVA. Therefore, it can be concluded that the material cost and EVA are correlated with each other.

TABLE VIII. YEAR-WISE FINANCIAL COST AND EVA (IN CRORE)

Year	Interest	Pref. Dividend	Equity Dividend	Total FC	% Change	EVA	% Change
2008-09	24.61	-	1319.01	1343.62	-	2938.46	-
2009-10	47.65	-	1396.53	1444.18	07.48	3124.52	6.33
2010-11	90.28	-	3818.18	3908.46	170.63	3349.59	7.20
2011-12	78.11	-	3443.47	3521.58	-09.89	7699.28	129.85
2012-13	87.02	-	3518.29	3605.31	02.37	9264.96	20.33

The table-VIII exhibits that there is no correlation between financial cost and economic value added. The increase in financial cost during 2010-11 had resulted into slight increase in EVA. Therefore, it can be concluded that the financial cost and EVA are not correlated with each other.

C. Hindustan Unilever Ltd.

In 1931, Lever Brothers of England set up Hindustan Vanaspati Manufacturing Company, followed by Lever Brothers India Limited (1933) and United Traders Limited (1935). These three companies merged to form HUL in November 1956. HUL offered 10% of its equity to the Indian public, being the first among the foreign subsidiaries to do so.

Unilever now holds 52.10% equity in the company. The rest of the shareholding is distributed among about 360,675 individual shareholders and financial institutions. Over a period of time, HUL acquired popular brands in India which include Broke Bond, Lipton, Pond, etc. The growth process of HUL was accompanied by judicious diversification. The liberalisation of the Indian economy, started in 1991, clearly marked an inflexion in HUL's and the Group's growth curve. Removal of the regulatory framework allowed the company to explore every single product and opportunity segment, without any constraints on production capacity. Today, HUL is a market leader in FMCG sector.

TABLE IX. YEAR-WISE EMPLOYEE COST AND EVA (IN CRORE)

Year	Employee Cost	% change	Beta	Rf %	Rm %	COC %	NPBT	Tax	NOPAT	COC	EVA	% Change
2008-09	767.81	-	0.018	0.04	0.85	0.05	2184.53	417.14	1767.39	36.98	1730.40	-
2009-10	1152.12	50.05	0.10	0.06	0.15	0.016	3020.86	572.94	2447.92	10.52	2437.39	40.85
2010-11	936.3	-18.73	2.70	0.072	-0.25	-0.91	2806.42	648.36	2158.06	-197.11	2355.17	-3.37
2011-12	961.27	2.66	-7.07	0.09	0.29	-1.46	2882.9	573.87	2309.03	-315.0	2624.10	11.41
2012-13	1095.54	13.96	1.79	0.084	-0.08	-0.31	3469.03	785.28	2683.75	-65.91	2749.66	4.78

The table-IX shows that there is no correlation between employee cost and economic value added. The decrease in employee cost during 2010-11 had resulted into greater fall in EVA. Therefore, it can be concluded that the employee cost and EVA are not correlated with each other.

The table-XI shows that material cost and economic value added are positively correlated with each other. The decrease in material cost during 2010-11 had resulted decrease in EVA. Therefore, it can be concluded that the material cost and EVA are positively correlated with each other.

TABLE X. YEAR-WISE OPERATING COST AND EVA (IN CRORE)

Year	Total cost	%Change	EVA	% Change
2008-09	11966.19	-	1730.40	-
2009-10	17973.67	50.20	2437.39	40.85
2010-11	14990.89	-16.59	2355.17	-3.37
2011-12	17320.50	15.54	2624.10	11.41
2012-13	18662.44	07.74	2749.66	4.78

The table-X exhibits that operating cost and economic value added are positively correlated with each other. The decrease in operating cost during 2010-11 had resulted decrease in EVA. Therefore, it can be concluded that the operating cost and EVA are positively correlated with each other.

TABLE XII. YEAR-WISE FINANCIAL COST AND EVA (IN CRORE)

Year	Interest	Pref. Dividend	Equity Dividend	Total FC	% Change	EVA	% Change
2008-09	25.50	-	1976.12	2001.62	-	1730.40	-
2009-10	25.32	-	1634.51	1659.83	-17.07	2437.39	40.85
2010-11	06.98	-	1417.94	1424.92	-14.15	2355.17	-3.37
2011-12	00.24	-	1410.60	1410.84	-00.98	2624.10	11.41
2012-13	01.24	-	1620.94	1622.18	14.97	2749.66	4.78

The table-XII shows that financial cost and economic value added are positively correlated with each other. The decrease in financial cost during 2010-11 had resulted decrease in EVA. Therefore, it can be concluded that the financial cost and EVA are positively correlated with each other.

TABLE XI. YEAR-WISE MATERIAL COST AND EVA (IN CRORE)

Year	Material cost	%Change	EVA	% Change
2008-09	7542.78	-	1730.40	-
2009-10	11380.05	50.87	2437.39	40.85
2010-11	9003.97	-20.87	2355.17	-3.37
2011-12	10494.33	16.55	2624.10	11.41
2012-13	11701.45	11.50	2749.66	4.78

D. Britannia Company Ltd.

Britannia Company was established in 1892, with an investment of Rs.295. Initially, biscuits were manufactured in a small house in central Kolkata. Later, the enterprise was acquired by Nalin Chandra Gupta, a renowned attorney and operated under the name of "V.S. Brothers". In 1918, C.H. Holmes, an English businessman was taken on as a partner and The Britannia Biscuit Company Limited (BBCo) was launched.

The Mumbai factory was set up in 1924 and Peek Freans, UK acquired a controlling interest in BBCo. Biscuits were in big demand during World War II, which gave a boost to the company's sales. The company name was finally changed to the current "Britannia Industries Limited" in 1979. Kerala

businessman Rajan Pillai secured control of the group in the late 1980s, becoming known in India as the 'Biscuit King'. Today it is market leader in biscuit segment.

TABLE XIII. YEAR-WISE EMPLOYEE COST AND EVA (IN CRORE)

Year	Employee Cost	% change	Beta	Rf %	Rm %	COC %	NPBT	Tax	NOPAT	COC	EVA	% Change
2008-09	90.53	-	-0.16	0.04	0.85	-0.09	232.26	41.26	191	13.72	177.27	-
2009-10	96.02	-6.06	0.075	0.06	0.15	0.01	232.52	52.12	180	8.52	171.47	-3.27
2010-11	99.52	3.64	-1.68	0.07	-0.25	0.53	120.78	4.27	116.51	52.78	63.72	-62.83
2011-12	118.48	19.05	0.026	0.09	0.29	0.02	198.14	40.5	157.64	38.65	118.98	86.70
2012-13	145.87	23.11	-0.05	0.08	-0.08	-0.01	252.37	65.63	186.74	37.71	149.02	25.24

The table-XIII shows that there is negative correlation exist between employee cost and economic value added. The increase in employee cost during 2010-11 had resulted into decrease in EVA. Therefore, it can be concluded that the there a scope for cost optimization in the area of employee cost.

TABLE XIV. YEAR-WISE OPERATING COST AND EVA (IN CRORE)

Year	Total cost	%Change	EVA	% Change
2008-09	2338.49	-	177.27	-
2009-10	2907.66	24.33	171.47	-3.27
2010-11	3218.70	10.69	63.72	-62.83
2011-12	4005.39	24.44	118.98	86.70
2012-13	4699.75	17.33	149.02	25.24

The table-XIV shows that there is positive correlation between operating cost and economic value added. Therefore, it can be concluded that there is no scope for the company for cost optimization in the area of operating cost.

TABLE XV. YEAR-WISE MATERIAL COST AND EVA (IN CRORE)

Year	Material cost	%Change	EVA	% Change
2008-09	1546.74	-	177.27	-
2009-10	1936.66	25.20	171.47	-3.27
2010-11	2197.74	13.48	63.72	-62.83
2011-12	2789.23	26.91	118.98	86.70
2012-13	3193.06	14.47	149.02	25.24

The table-XV exhibits that there is positive correlation between material cost and economic value added. Therefore, it can be concluded that there is no scope for the company for cost optimization in the area of material cost.

The table-XVI reveals that financial cost and EVA are positively correlated with each other. Therefore, it can be concluded that company does have any opportunity to go for cost optimization in the area of financial cost.

TABLE XVI. YEAR-WISE FINANCIAL COST AND EVA (IN CRORE)

Year	Interest	Pref. Dividend	Equity Dividend	Total FC	% Change	EVA	% Change
2008-09	09.73	-	43.00	52.73	-	177.27	-
2009-10	16.01	-	95.56	111.57	111.58	171.47	-3.27
2010-11	08.21	-	59.73	67.94	-39.10	63.72	-62.83
2011-12	40.08	-	77.64	117.72	73.27	118.98	86.70
2012-13	38.07	-	101.53	139.60	18.58	149.02	25.24

E. Nestle India Ltd.

The Nestle India Ltd. is one of the leading manufacturers of food and beverage in India. Nestle India Ltd was established in the year 1956. The company set up their first production facility in the year 1961 at Moga in Punjab. In the year 1967, they set up their second plant at Choladi in Tamil Nadu as a pilot plant to process the tea grown in the area into soluble tea. In the year 1989, they set up a factory at Nanjangud in Karnataka. In the year 1990, the company entered into the chocolate business by introducing Nestle Premium Chocolate. In the year 1991.1994- During the year company launched a number of new products viz., Cerelac Soya, Milk maid, Dessert Mixes, Maggo Tonit's Special Cooking Bases, Maggi 1-2-3 noodles, Contodina snack dressing and the chocolate items, milky base marbles and bar one peanut. In 1995, instant noodles factory was constructed and commissioned. During the same year company launched Kit Kat manufactures at new factory at Ponda, Goa. Today, Nestle India Ltd is one of the leading market player in FMCG sector.

The table-XVII shows that the employee cost and EVA of Nestle India are negatively correlated with each other. Therefore, there is a ample scope for cost optimization in Nestle India ltd.

TABLE XVII. YEAR-WISE EMPLOYEE COST AND EVA (IN CRORE)

Year	Employee Cost	% change	Beta	Rf %	Rm %	COC %	NPBT	Tax	NOPAT	COC	EVA	% Change
2008-09	314.58	-	0.44	0.04	0.85	0.39	772.83	214.8	558.03	39.20	518.82	-
2009-10	432.38	37.44	0.46	0.06	0.15	0.05	916.98	261.97	655.01	5.96	649.04	25.09
2010-11	433.44	0.24	3.90	0.07	-0.25	-1.31	1145.11	326.45	818.66	-117.34	936.00	44.21
2011-12	546.46	26.07	-0.44	0.09	0.29	-0.07	1387.92	426.38	961.54	19.51	942.02	0.64
2012-13	663.38	21.39	-0.11	0.08	-0.08	0.01	1552.62	484.69	1067.93	27.56	1040.36	10.43

TABLE XVIII. YEAR-WISE OPERATING COST AND EVA (IN CRORE)

Year	Total cost	%Change	EVA	% Change
2008-09	3519.78	-	518.82	-
2009-10	4119.44	17.03	649.04	25.09
2010-11	5089.27	23.54	936.00	44.21
2011-12	5993.61	17.76	942.02	0.64
2012-13	6601.21	10.13	1040.36	10.43

The table-XVIII shows that there is positive correlation between operating cost and economic value added. Therefore, it can be concluded that there is no scope for the company for cost optimization in the area of operating cost.

TABLE XIX. YEAR-WISE MATERIAL COST AND EVA (IN CRORE)

Year	Material cost	% Change	EVA	% Change
2008-09	2153.85	-	518.82	-
2009-10	2478.94	15.09	649.04	25.09
2010-11	3168.18	27.80	936.00	44.21
2011-12	3671.64	15.89	942.02	0.64
2012-13	3909.06	06.46	1040.36	10.43

The table-XIX reveals that there is positive correlation between material cost and economic value added. Therefore, it can be concluded that there is no scope for the company for cost optimization in the area of material cost.

TABLE XX. YEAR-WISE FINANCIAL COST AND EVA (IN CRORE)

Year	Interest	Pref. Dividend	Equity Dividend	Total FC	% Change	EVA	% Change
2008-09	01.64	-	409.77	411.41	-	518.82	-
2009-10	01.40	-	467.62	469.02	14.00	649.04	25.09
2010-11	01.07	-	467.62	468.69	-00.07	936.00	44.21
2011-12	09.06	-	467.62	476.68	01.70	942.02	0.64
2012-13	26.60	-	467.62	494.22	03.67	1040.36	10.43

The table-XX shows that the financial cost and EVA of Nestle India are negatively correlated with each other. In the year 2010-11 the financial cost was decreased by 0.7 percent which had resulted into increase in EVA by 44.2 percent. Therefore, there is an ample scope for cost optimization in Nestle India ltd.

CONCLUSIONS

- The study reveals that Dabur India Ltd has opportunity for cost optimization. The area of cost optimization includes material cost centre. However, there is no scope for cost optimization in labour cost centre and finance department.
- It was found that there is no scope for cost optimization in Hindustan Unilever limited as well as Britannia India ltd.
- The study revealed that there is ample opportunity for cost optimization in ITC Ltd. the company should explore the option for cost optimization in the area of employee and materials.
- It was found that Nestle India ltd has scope for cost optimization in HR department as well as finance department.

SUGGESTIONS

- It was suggested that Dabur India Ltd, ITC Ltd and Nestle India Ltd should use Economic Value Added as a means of measuring the outcome of cost optimization strategies do adopted by them. In addition to Economic Value Added.
- The companies should also explore possibility of using other techniques of measuring benefits of cost optimization strategies such as environmental value added, lean and green cost index, etc.
- HUL and Britannia India Ltd had not taken any cost optimization measures. Therefore, it is suggested that these companies should explore the option of developing innovative cost optimization strategies in order to create value for shareholders.
- The companies should develop a cost optimization policy as none of the company has developed any such policy.

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