



COST MANAGEMENT

AI-First Cost Reduction: How to Drive Sustained, Structural Advantage

By [Jacopo Brunelli](#), [Paari Rajendran](#), [Abhinav Verma](#), [Geraldine Rhodes](#), [Paolo Vicino](#),
and [Lena Revutska](#)

ARTICLE JULY 17, 2026 5 MIN READ

Most AI cost-reduction efforts are failing to deliver—and the problem lies in strategy. Companies are layering copilots and other AI tools onto existing workflows, which generate theoretical productivity improvements but fail to move the needle on costs.

In contrast, AI leaders are taking a different approach. They are using AI to create a structural cost advantage—driving it deeper into the organization, combining it with traditional cost-cutting strategies, and actively managing both the costs AI eliminates and the new costs it introduces.

The results can be dramatic: BCG has helped clients achieve operating expense reductions of 30% against a multibillion-dollar cost base. Yet success stories like this are rare; in BCG's AI Radar 2026 survey, only 5% of companies reported generating value at scale.

Companies fail to capture AI-driven cost savings because they fall into one of five traps:

- Too many initiatives are fragmented across the organization, with no path to enterprise-wide deployment.
- AI is added on top of existing processes instead of eliminating or consolidating them.
- Lack of early proof points causes programs to stall.
- Investment is delayed, waiting for a perfect business case that may never arrive.
- Targets are set on productivity but not P&L outcomes.

Avoiding these traps requires CEOs and CFOs to take direct ownership of the AI cost agenda, demanding a rethink of operating models and pushing AI strategies that deliver significant cost-saving impact. BCG's AI Radar found that organizations that are AI leaders achieve three times greater cost reduction than laggards.

Driving AI Cost Reduction: Why Redesign Matters

History is repeating itself. From the steam engine to the spreadsheet, many technological advances have been dropped onto pre-existing processes with only marginal impact. The technology was ready—but the world around it was not. Only when systems were redesigned around the new technology did the transformation trigger.

This is the parallel with today. Copilots and chatbots offer only a modest impact because they add efficiency to existing processes. When the organization is redesigned around AI, however, value

and cost reduction compound as the enterprise moves from AI-powered workflows through end-to-end redesign around autonomous agents, to finally creating a new operating system for the enterprise based on multi-agent systems.

This progression has a direct impact on the cost base, not just its size, but its composition. Cost reductions compound in the later waves as AI moves from executing steps to making decisions. Labor and external spending decline faster than tech and AI processing costs rise.

CEOs and CFOs who build this new operating model turn AI into a lasting advantage; those who do not will see savings on one line quietly absorbed by rising costs on another.

BCG saw these dynamics at a major tech client that transformed its back office. Traditional strategies such as offshoring and contract renegotiation built momentum, followed by an “Eliminate, Simplify, Automate” framework applied to every function to rebuild workflows with AI at their core. A project management office tracked costs with direct CEO accountability.

For this client, AI-enabled processes saw a 50% cost reduction, and annual opex savings from the \$15 billion cost base were 30%.

A Cross-Functional Approach to AI Cost Reduction

Organizations that want to drive dramatic cost takeouts such as this need to do more than avoid the traps. They must adopt a multi-function approach, combining AI with more traditional strategies:

Scale the core. Scattered pilots in the periphery rarely affect the P&L. Concentrate AI investment in core workflows and capabilities.

Redesign processes around decisions, not tasks. Grafting AI onto existing workflows captures just a fraction of the potential value. Instead, map decisions and then automate around them.

Fund the journey with traditional levers. The client mentioned above started their cost-reduction journey with conventional offshoring and renegotiating vendor contracts. This shows how AI can amplify traditional cost-cutting to generate early wins. These early wins create the financial runway for deeper AI investment.

Commit and accelerate. Waiting for full certainty over ROI costs more than the AI tokens you save. Commit when the business case is clear even if it is not 100% precise.

Set hard targets and enforce them. Efficiency percentages do not pay the bills. Set hard headcount targets and make new behaviors unavoidable.

Following these five strategies will help close the gap between AI optimism and AI reality—enabling productivity gains drive real cost reduction and create a leaner, more competitive organization.

Authors



Jacopo Brunelli

Managing Director & Senior Partner
Milan



Paari Rajendran

Managing Director & Partner
San Francisco - Bay Area



Abhinav Verma

Managing Director & Partner
San Francisco - Bay Area



Geraldine Rhodes

Managing Director & Partner
Washington, DC



Paolo Vicino

Managing Director & Partner
New Jersey



Lena Revutska

Global Offer Director - Cost Excellence
Chicago



ABOUT BOSTON CONSULTING GROUP

Boston Consulting Group bridges the gap between ambition and outcomes for the world's leading companies and organizations. We are built for this era of unprecedented change — bringing strategic clarity rooted in over 60 years of deep domain knowledge, combined with applied AI shaped by our practitioners. BCG works shoulder-to-shoulder with CEOs across industries and geographies to deliver transformative impact at scale: stronger returns, transferred capabilities, and change that sticks. For more information, visit bcg.com.