



Aberdeen *Group*

Travel & Entertainment Expense Management

Reduce Processing Costs

&

Improve Policy Compliance

August 2006



Executive Summary

Given the rise of globalization and the competitive nature of business, enterprises of all sizes are conducting more and more business nationally and globally. Business travel is an expense many companies encounter and is seen as a part of conducting business. On average, Aberdeen Research found that travel and entertainment (T&E) expenses account for between 8% and 10% of total operating expenses. The actual amount can range from \$50,000 to more than \$100 million a year for some of the larger corporations.

Considering it's an expense that is not core to nearly all companies, ideally this category should be managed extremely efficiently. A formal and successful program will allow any savings to directly hit the bottom-line while reducing time spent on making travel arrangements and reporting expenses so employees can focus on the really important strategic initiatives.

"We spend over \$100 million a year on T&E and process 15,000 expense reports each month."

Head of Procurement Infrastructure,
RBC Financial Group

This report focuses on the challenges companies face in efficiently managing this expense category. Survey respondents from 296 companies gave us insight into some successful strategies and best-practices that have been implemented. The data collected allowed Aberdeen to benchmark respondents and determine how and where top-performing companies are successful.

Key Business Value Findings

The biggest challenge facing finance executives and travel managers is **the lack of compliance with T&E policies**. On average, approximately 20% of T&E spend is out of policy. In some cases, executives were surprised to find that company T&E policies were

On average, approximately 20% of T&E spend is out of policy.

regarded more as "guidelines" that employees inconsistently adhered to or outright ignored. Therefore, being preventative rather than detective in enforcing policy is a critical step forward. Another challenge is the **level of visibility into T&E spend**. Aberdeen found that more than 40% of enterprises use systems and processes

that are only moderately automated and that vary throughout the company.

In terms of strategic actions companies are taking or planning to take, respondents reported prioritizing the adoption of technology to improve visibility into T&E spending (44%) and improve expense tracking and reconciliation (34%). Additionally, there are efforts to improve communication of corporate policies.

Implications and Analysis

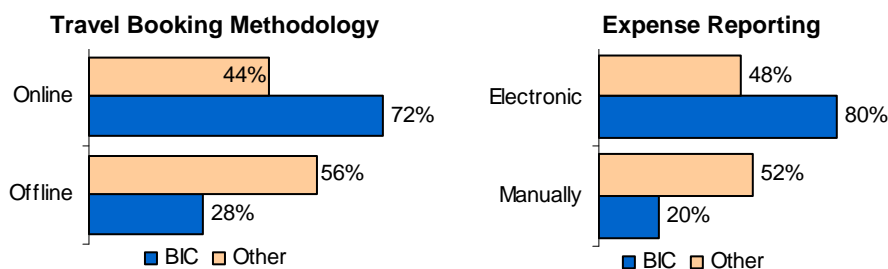
A key finding in this research study is the increasing interest in an **end-to-end T&E solution** that incorporates both travel-booking/planning and expense management and tracking. Essentially, this includes everything from pre-trip approvals to reimbursement/card payment services and auditing of expenses. Survey data shows that growth in usage of an integrated T&E solution is significant. Currently, 19% of



respondents are using an integrated system, with an additional 26% planning to adopt an end-to-end solution by 2008. Another key finding involves **expense management solution**, which are already widely used (43%); however there is also considerable growth with another 18% planning to adopt.

Best in Class companies were found to significantly outperform the rest of the sample, largely due to the *process* efficiencies gained through automation (Figure i). These companies are able to achieve reimbursement cycle times (creation of expense report to payment) of less than five days, compared to 15 days. BIC companies also have significantly reduced costs in terms of processing expense reports, and transaction costs when booking travel.

Figure i: Booking and Expense Reporting Processes



Source: AberdeenGroup, August 2006

Additionally, Aberdeen Research has mapped out a total cost management (TCM) lifecycle as it applies to the T&E category. This framework involves the combination of standard sourcing and compliance procedures with process automation, improved data management and spend analytics to manage the total cost of travel and its associated supplier relationships holistically. Just like any other spend category, the basic principles of effective procurement apply for T&E expenses.

Recommendations for Action

- Understand and analyze where and how your company is spending on travel and entertainment and identify the sources of data, (E.g., corporate card spend data)
- Centralize management of T&E and standardize processes for booking travel reporting and reconciling expenses.
- Utilize automation technologies for booking and planning travel as well as managing expenses.
- Collect data on process efficiency and set targets.
- Improve communication of corporate travel policy and solicit feedback to improve policy.
- Enforce and monitor compliance to policy by being preventative rather than detective.
- Integrate tools used for travel booking with your expense management solution, reimbursement tools, and corporate card programs.



Table of Contents

Executive Summary	i
Key Business Value Findings.....	i
Implications and Analysis.....	i
Recommendations for Action.....	ii
<i>Chapter One: Issue at Hand</i>	1
Driving Factors	1
<i>Chapter Two: Key Business Value Findings</i>	4
Prioritized Strategic Actions.....	5
Processing and Transaction Costs.....	6
<i>Chapter Three: Implication & Analysis</i>	8
Total Cost Management	9
Technology Usage	10
Administration of T&E Expenses.....	11
Important Capabilities	12
Best in Class Strategies.....	12
<i>Chapter Four: Recommendations for Action</i>	15
Priorities for Laggards.....	15
Priorities for Industry Average Performers	15
Next Steps for Best in Class	16
Author Profile	17
<i>Appendix A: Research Methodology</i>	18
<i>Appendix B: Related Aberdeen Research & Tools</i>	19
About AberdeenGroup	20

Figures



Figure i: Booking and Expense Reporting Processes ii

Figure 1: Last Update of T&E Policy 1

Figure 2: What is Driving Companies to Improve Management of T&E Expenses?..... 2

Figure 3: Challenges with T&E Expense Management 4

Figure 4: Method of Policy Communication..... 5

Figure 5: Processing and Transaction Costs..... 6

Figure 6: Transaction and Expense Reporting Costs (Manual vs. Electronic/Online) 6

Figure 7: Visibility into Compliance..... 7

Figure 8: Categories Not Covered by T&E Policies..... 7

Figure 9: Process Automation 8

Figure 10: Total Cost Management Framework 9

Figure 11: Automation of Travel Planning and Booking 10

Figure 12: Corporate Card Use 11

Figure 13: Functional Responsibility for Processes/Management 11

Figure 14: Key Performance Indicators 13

Tables

Table 1: Top Strategic Actions According to Survey Respondents..... 5

Table 2: Collection of T&E Data..... 9

Table 3: “Very Important” Solution Capabilities, According to Respondents 12

Table 4: Example of Savings Opportunity (on Process Costs) 14



Chapter One: Issue at Hand

Key Takeaways

- Enterprises are still looking to save on their travel and entertainment (T&E) spending.
- To improve compliance with T&E policies, companies are trying to make travel booking and expense management processes easier.
- The need for improved visibility into all expense categories is driving a more centralized management approach to managing T&E.

Travel and entertainment expenses (T&E) is a category of spend in many companies that is a major — and rising — cost. According to our survey respondents, T&E expenses account for approximately 8% to 10% of total operating expenses, on average. This represents a significant portion of expenses which, if it's mismanaged or inefficient, results in unnecessary costs. Of course, this category of expense is part of conducting normal business. However, there are still ways enterprises can benefit from savings as well as more efficient processes (e.g., lower cost to process an expense report), while improving the traveling experience.

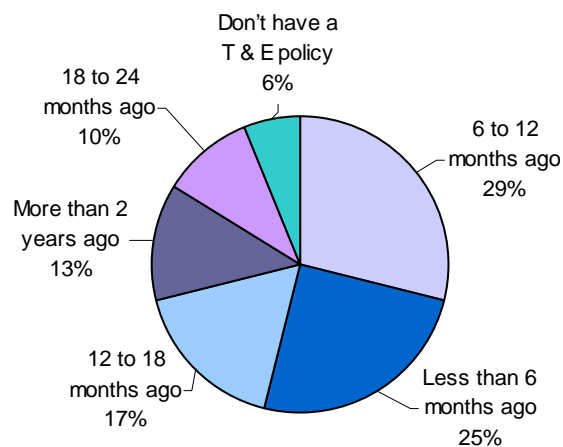
T&E is like no other expense category when it comes to procurement. Traditionally, employees spend company money up-front at their own discretion and policy and contract compliance is either attempted by a travel agent's influence at the time of booking or, more frequently, after the fact when an expense report is filed. This often results in out-of-policy purchases, which in some cases will not be reimbursed.

The survey pool shows respondents have long been subject to formal management programs and policies based around T&E, but the question is: Are employees actually complying with corporate travel policies? (As mentioned in further detail in Chapter Two on average one in five T&E expenses are out of policy.) Nearly a quarter of the companies updated their policies less than six months ago and another 30% between six and 12 months ago (Figure 1). However, there are still a fairly significant percentage of companies lagging in this area. On the other hand, the chart shows approximately 94% of companies have T&E policies in place.

Driving Factors

Due to the fact that most companies have policies and procedures in place, apart from the overall goal of reducing this expense category, enterprises are increasingly trying to drive adoption rates and policy compliance (Figure 2).

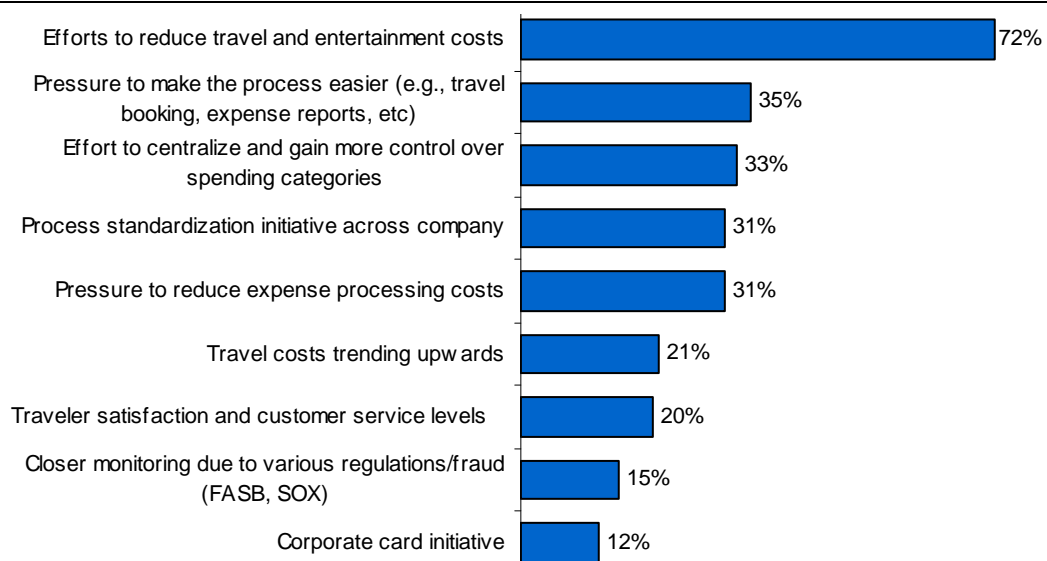
Figure 1: Last Update of T&E Policy



Source: AberdeenGroup, August 2006



Figure 2: What is Driving Companies to Improve Management of T&E Expenses?



Source: [AberdeenGroup](#), August 2006

- **Efforts to reduce T&E costs** – Being one of the largest controllable expense categories, reducing costs will always be the goal. On the travel-booking side, transaction costs can rise to \$65 per transaction. In Aberdeen’s 2004 T&E study, the average cost to process one expense report was \$48. This year’s benchmark concluded that the average has been reduced to approximately \$30 per report. However, there are certain companies that have brought this cost down to less than \$10: a good reason to improve T&E expense management, especially when dealing with thousands of reports.
 - **Reduce expense processing costs** - As we will see later in this report, the cost to process a single expense report ranges widely, from less than \$10 to more than \$70. It is no wonder that this is a factor driving companies to make this process more cost effective and efficient. The time taken to create and submit a report should also be factored into this because the longer it takes and the more manual the processes, the more expensive it becomes.
- **Pressure to make the process easier** – This plays into the need for companies to improve adoption rates and compliance. In many cases, internal policies and tools for travel-planning/booking and expense-reporting are not user-friendly. In this case, users, for example, are likely to prefer consumer websites for booking travel, since they are easy to use and intuitive. Moreover, companies that are still using manual processes will both find it difficult to improve policy compliance and expense monitoring.
- **Effort to centralize spend categories** – In recent years, the procurement function has started to show its strategic importance and it’s in spend categories such as these that companies are learning from procurement. Centralization also allows for an easier and more structured method to improve and monitor compliance. This includes analyzing spend, which allows for improved sourcing of travel services,



better management and compliance to contracts, and ensuring supplier compliance with negotiated pricing. This is where companies can apply Aberdeen's Total Cost Management Model, which is detailed in Chapter Two.

- **Process standardization initiatives** – Companies are increasingly under pressure from executives to reduce processing and administration costs in all areas of the organization. For T&E specifically, in order to improve compliance to policies there has to be standard procedures employees can follow. For example, a finance executive at a beverage company said: *“Online booking as opposed to calling the travel agent is encouraged because it really helps to improve compliance; however not everyone follows this standard.”*



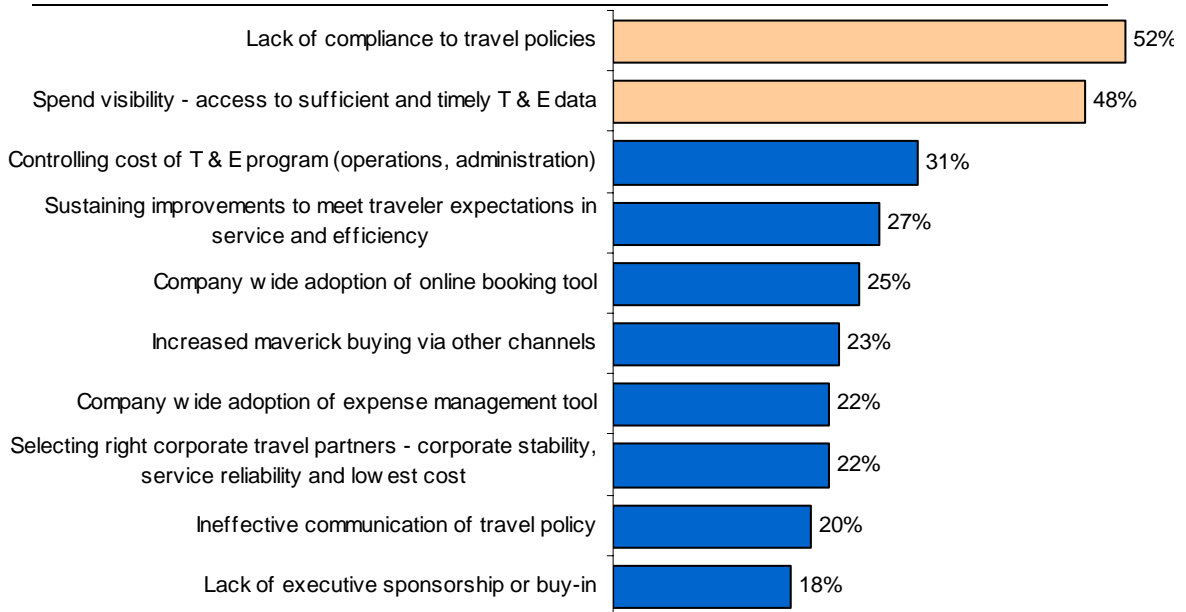
Chapter Two: Key Business Value Findings

Key Takeaways

- The biggest challenge companies face is the lack of compliance to company T&E policies. Lack of compliance essentially translates to lost savings.
- The top priority for 44% of respondents is to adopt technology to improve T&E spend visibility.
- There are significant cost savings to be realized from automated and electronic processing of travel-booking and expense management.

Aberdeen research has shown that the lack of compliance with T&E policies remains the primary challenge to the success of a travel cost management program. Sourcing and negotiating with travel suppliers mean nothing without that compliance. Insufficient visibility (gaining access to sufficient and timely data) is also a fairly significant barrier companies face. Similar to other spend categories, sources and aggregation of information and data are at the heart of all improvement initiatives. Figure 3 shows some of the top challenges companies face in managing T&E expenses.

Figure 3: Challenges with T&E Expense Management



Source: AberdeenGroup, August 2006

- **Lack of compliance with corporate T&E policy** is due largely to poor communication and inefficient tools. All the tools and price negotiations mean nothing without compliance to policies and use of preferred vendors. This lack of compliance in most companies often leads to significant missed savings opportunities. Some found they had more than a dozen different approaches to travel through different business units or locations, through historical practice, or



merger and acquisition. Others found they had policies that were regarded more as “guidelines” that employees either inconsistently adhered to or outright ignored.

- **Visibility and access to T&E spend data** is an area enterprises should focus on. Without knowledge of the specific areas of T&E expenses, it’s extremely difficult to achieve cost-reduction targets and overall improvement initiatives. For example, companies may not expect that airport parking expenses are fairly significant due to the lack of visibility across the enterprise into such spending. Controlling T&E program costs becomes difficult when there is a lack of visibility into those expenses.
- **Difficulty ramping up adoption rates** – In follow-up interviews with survey respondents we found that the user-friendliness of travel-booking tools is essential to adoption and usage. Increasingly, employees are also booking online directly with consumer sites with the idea they are saving the company money through seemingly lower fares. This is less of an issue when it comes to adoption rates for expense management tools because this is more easily mandated.

Prioritized Strategic Actions

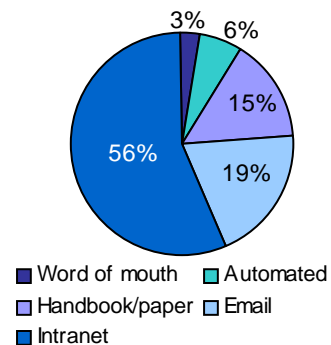
Table 1: Top Strategic Actions According to Survey Respondents

Adopt technology to improve visibility into T&E spending	44%
Effectively communicate a corporate travel policy	39%
Develop a company-wide travel policy	33%
Adopt technology to improve expense tracking, reconciliation	33%
Automating T&E reporting and reimbursement processes	31%
Integrating travel planning and expense management	20%
Implement an online booking tool	19%
Institute a centralized travel management function	18%
Encourage use of a T&E card	18%
Better monitor financial risk/fraud (i.e., FASB, SOX)	9%

Source: AberdeenGroup, August 2006

The top strategic action companies are pursuing or planning to pursue is the **adoption of technology to improve T&E expense visibility**. At the end of the day, this is the first step in enabling companies to leverage volume discounts and gain stronger negotiating positions that will eventually lead to sustained savings and more strategic business relationships. However, just as important is the **development and communication of an enterprise-wide T&E policy**, since all companies should have some sort of policy in place. If executives are to expect savings and compliance to policies, clear communication and understanding are essential. According to the survey pool (Figure 4), 56% communicate policies through the company intranet with a fair amount (15%) still using handbooks or

Figure 4: Method of Policy Communication



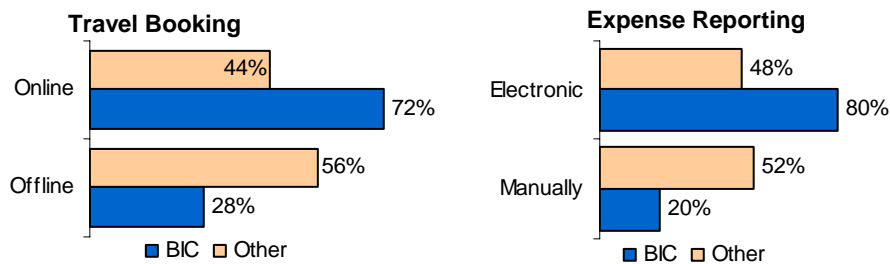
Source: AberdeenGroup, August 2006



paper format. Only 6% of enterprises have automated methods of communicating T&E policies. An example of this is a system that determines what the policy allows based on rank or department or some other factor (This determination is made during the travel planning stage).

On the expense management end of the spectrum, a top action reported is the **automation of both reporting and reimbursement processes and expense tracking and reconciliation**. With the high costs of manually processing an expense report, companies are beginning to look toward automation (Figure 5). Best in Class (BIC) companies, for example, include 72% booking travel online; similarly, 80% of BIC companies process expense reports online (i.e., without Excel spreadsheets).

Figure 5: Processing and Transaction Costs

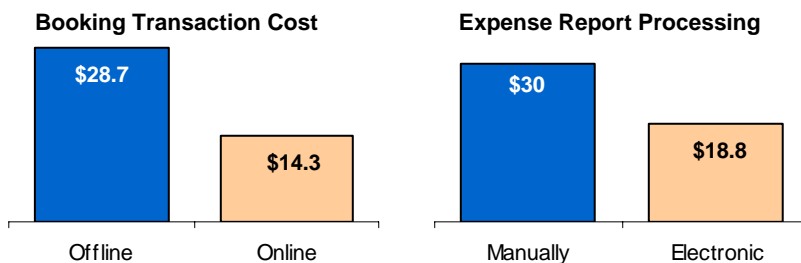


Source: [AberdeenGroup](#), August 2006

Processing and Transaction Costs

As always, there will be certain companies that are more technologically-advanced than others. Also, technology investments vary depending on company size and travel needs. However, for companies with hefty T&E expenses, Figure 6 shows the value of going online or electronic. For booking travel, the average transaction cost of using an offline method is \$29, whereas online transactions cost approximately \$14 less. To manually process an expense report, the average cost is about \$30, while electronic processing costs, on average, \$18.80. These costs can have a significant impact, especially if a company deals with thousands of transactions and reports. It is important to note that Best in Class companies achieve costs lower than this (Chapter three).

Figure 6: Transaction and Expense Reporting Costs (Manual vs. Electronic/Online)



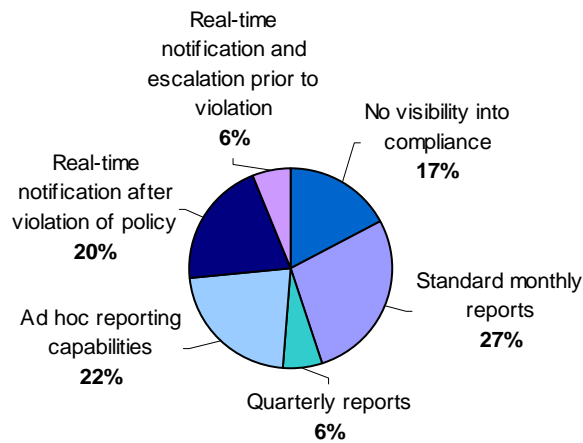
Source: [AberdeenGroup](#), August 2006



Compliance Monitoring

Returning to the importance of visibility and compliance, Figure 7 shows the levels at which companies are operating. Surprisingly, approximately 26% of respondents report having real-time checks, the majority being notification after, not before policy violation. Another 27% of companies reported having standard monthly reports. However, there is still a major chunk (39%) that have either no visibility into compliance or conduct ad-hoc reporting. Access to this data is essential in order to gain better understanding of T&E spending patterns.

Figure 7: Visibility into Compliance

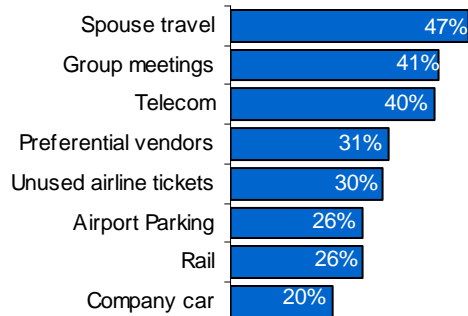


Source: AberdeenGroup, August 2006

The notion of being able to avoid the violation before it happens is a significant step forward in achieving high compliance rates, also saving time and reducing costs. Through our research, we were able to conclude that, on average, approximately 19.4% of T&E expenses are not in compliance to corporate policy, meaning almost one in every five T&E expenses is in violation of policy. However, we found Best in Class companies experience approximately 12% violation in policy. Non-compliance translates into missed savings, therefore in many cases enforcement is required. As one senior financial analyst said, *“Policy violations were cut in half as soon as we began reporting them to senior management”*

It’s also evident that companies need to strengthen their T&E policies to cover the entire range of T&E expenses. Figure 8 shows some of the categories not included in T&E policies. Categories that are excluded from policy cannot be controlled and if significant enough result in lost savings. According to 47% of respondents, spouse travel is not a part of their companies’ policies. The same goes for group meetings and telecom expenses

Figure 8: Categories Not Covered by T&E Policies



Source: AberdeenGroup, August 2006

(e.g., cell phone, internet, fax). We found that, on average, telecom expenses comprise approximately 7% to 9% of T&E expenses. Airport parking was estimated to be 4% to 5% of T&E expenses. However, a quarter of the companies in the survey pool do not address the issue in their policies. As for rail expenses, this is more widespread in Europe than in North America.

The major bulk of T&E expenses, as expected, consist of domestic (34%) and international flights (16%), hotel/lodging and meals (24%), and car hire/taxi (10%)



Chapter Three: Implication & Analysis

Key Takeaways

- T&E system reports and corporate card reports are seen as important sources of T&E spend data.
- There is significant interest in an end-to-end T&E solution that caters to travel-booking and expense management and reimbursement.
- User-friendliness and ease of use are key requirements for T&E solutions.

T&E expenses within companies account for between 8% and 10% of operating expenses. With regards to our survey pool, the actual T&E amount ranges from \$50,000 to over \$100 million a year for some of the larger corporations. However, the processes used to manage this expense differ across all companies.

Figure 9, pictured below, shows that for both travel-booking and expense management approximately 40% use systems that are only partially-automated or disjointed throughout the company, thus making visibility and data collection across this area of spend difficult. A fair amount of respondents reported having fully-automated systems, however this includes those that are homegrown and may be outdated in terms of features and capabilities.

A fairly significant percentage of companies are currently outsourcing the management of their travel booking (25%) and expense management (19%). Most consider this particular category of expense to be non-core/strategic, as it is a part of conducting business.

Competitive Framework Key

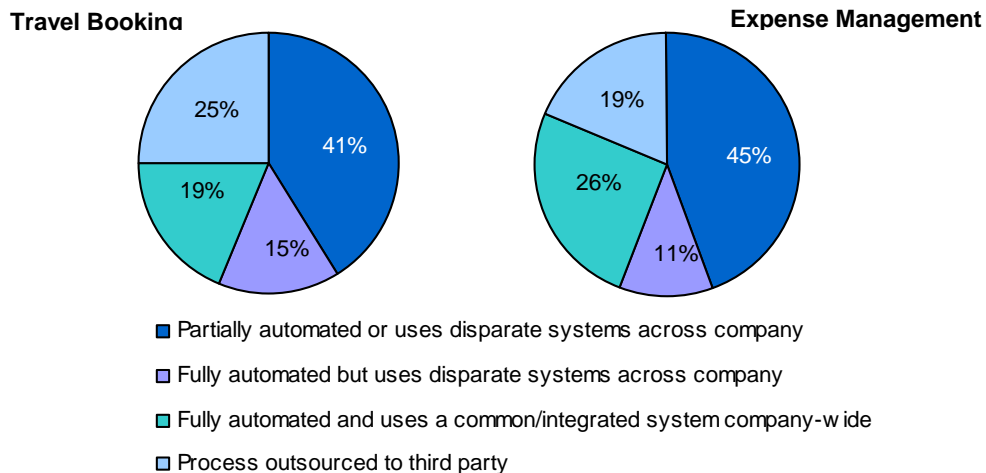
The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:

Best in Class (20%) practices that are the best currently being employed and significantly superior to the industry norm

Industry Average (50%) practices that represent the average or norm

Laggards (30%) practices that are significantly behind the average of the industry

Figure 9: Process Automation



Source: AberdeenGroup, August 2006



Improved travel cost visibility and expense monitoring demands a number of online information collection and automation mechanisms. Sources of such information and data include ERP, A/P reports, corporate card reports, spend analysis tools, however, according to 79% of the survey base T&E system reports are ‘Very Important’ sources of data (Table 2). Second on the list is corporate card reports, although, very often cards are the primary source of data, even for T&E system reports. According to a procurement executive at a large consumer products group, “Visibility into T&E spend is paramount, we pull 90% of data from corporate cards but also use travel agency data in the system.”

Table 2: Collection of T&E Data

Data Sources	Respondents (%)
T&E system reports	79%
Corporate card data	59%
Spend analysis tool	57%
A/P system reports	53%
ERP system report	45%
Online booking system reports	44%
Agency booking reports	43%

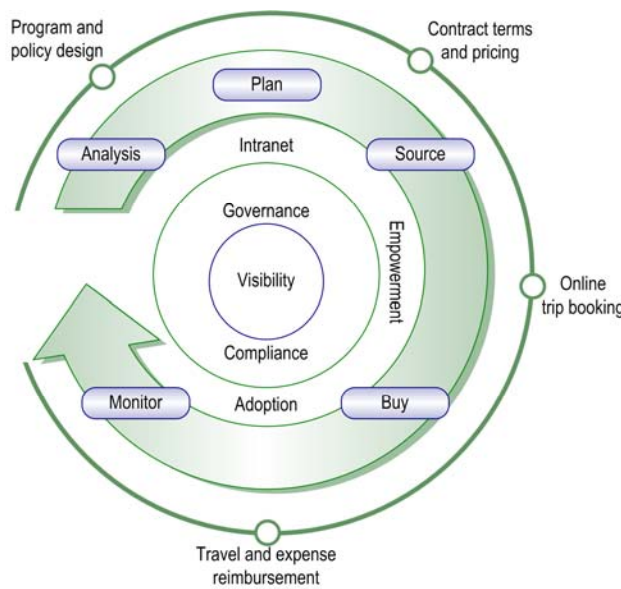
Source: AberdeenGroup, August 2006

Total Cost Management

Just like any other spend category, the basic principles of effective procurement apply for T&E. In this case, companies are dealing with suppliers of travel, i.e., airlines, hotels, car rental, etc. Aberdeen has mapped out a total cost management lifecycle as it applies to the T&E category.

This framework (Figure 10) involves the combination of standard sourcing and compliance procedures with process automation, improved data management and spend analytics to holistically manage the total cost of travel and its associated supplier relationships. Key functionality points include program policy and design, contract terms and pricing, online trip-booking, and travel and expense reimbursement.

Figure 10: Total Cost Management Framework



Source: AberdeenGroup, August 2006

Developing an effective TCM framework requires enterprises to organize and integrate their strategies and actions around five key processes: **analyze, plan, source, buy, and monitor**. These specifically apply the T&E category in the following ways:

- Analyze spend patterns and define/update program policy and design
- Aggregate spending and negotiate contract-pricing and terms
- Book/plan travel online
- T&E expense reimbursement

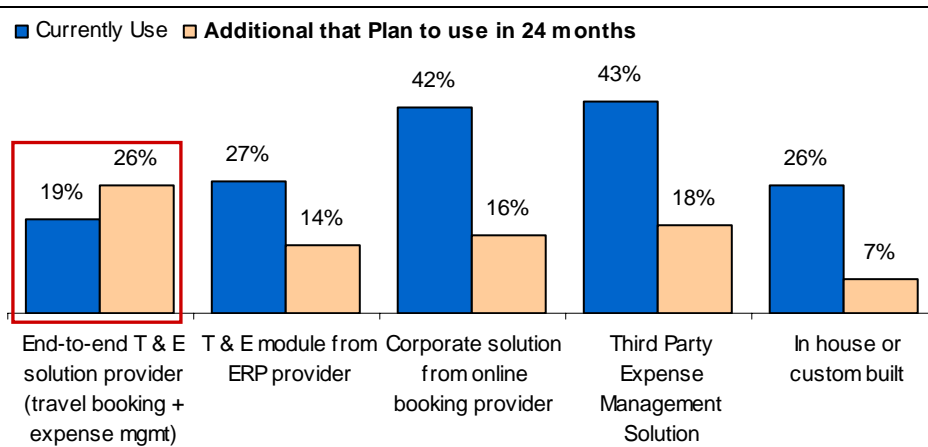


Technology Usage

A key finding in this research study is the increasing interest in an end-to-end T&E solution that incorporates both travel-booking/planning and expense management and tracking. Essentially, this includes everything from pre-trip approvals to reimbursement and auditing of expenses. A company could have automated solutions for expense reporting but not for booking travel. However, as shown below (Figure 11) an **end-to-end T&E solution** caters to both and according to survey respondents there is likely to be growth in this particular area. The data collected shows that apart from the 19% that currently use such a solution, an additional 26% plan to use an integrated T&E solution over the next two years.

Such closed-loop solutions allow organizations to manage corporate travel while ensuring their expense reporting processes are managed efficiently with accuracy and in compliance with corporate and regulatory policies. An end-to-end solution enables stronger up-front controls and improves visibility throughout the process, allowing for the pre-trip approval to be meaningful. According to an AP Supervisor at a large manufacturing company, *“Such a solution (end-to-end) would give us the ability to show at reimbursement time whether this trip was pre-approved. If not, the expenses would not be reimbursed without additional, appropriate escalation and justification.”*

Figure 11: Automation of Travel Planning/Booking and Expense Management



Source: AberdeenGroup, August 2006

Additionally, we found that approximately 65% of the survey respondents currently use a **travel management company** of which about 58% are companies with revenues under \$1 billion. It is important to note that many of the travel management companies also provide online booking tools.

Corporate Cards

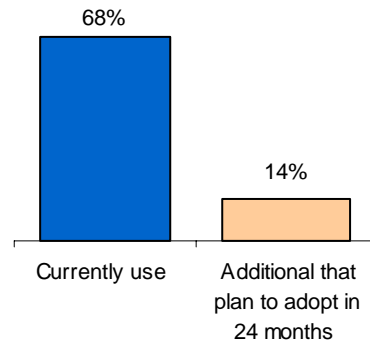
There is currently widespread usage of corporate cards; this method of purchasing travel is seen as both efficient and convenient and is usually used as a compliment to some of the other tools available. As Figure 12 shows, almost 70% of companies are currently using a corporate card (for T&E), with an additional 14% planning to adopt over the next two years. In a recent Aberdeen study (*Corporate Payment Cards*) when asked the reason



for using travel cards, employee convenience ranked the highest. Not having to worry about cash advances, using personal cards or cash, and waiting for reimbursement is important to respondents.

The use of cards also helps to significantly improve availability and access to T&E spend data, especially when direct linked to an expense management solution. It was concluded that 76% of Best in Class companies currently use corporate card programs as part of their T&E expense management.

Figure 12: Corporate Card Use



Source: AberdeenGroup, August 2006

Expense Management

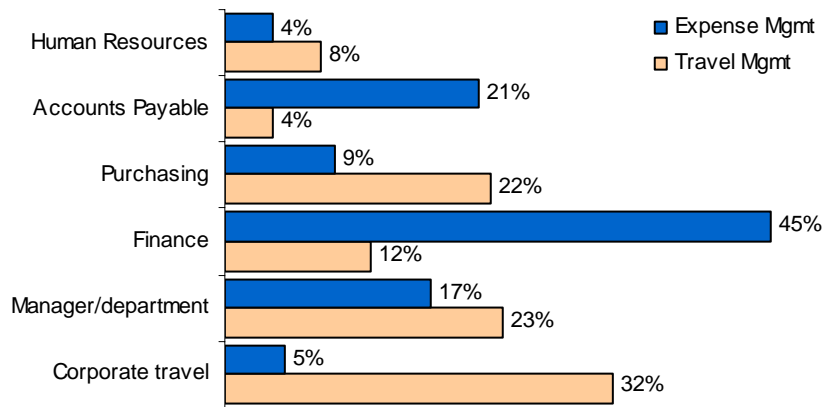
Currently, usage of third-party expense management solutions is fairly widespread (43%). Over the next two years, an additional 18% of survey respondents plan to use such a solution. There also seems to be an appetite for outsourcing this process because it is a process that is non-core to most, if not all, businesses. As mentioned earlier, nearly 20% of the survey sample is currently outsourcing the expense management process. Expense management tools can also help to make the expense auditing process more efficient and simple. As one accounting manager put it, “Previously, auditing expenses was a very tedious and lengthy process, now to monitor compliance we can efficiently conduct random audits.”

Administration of T&E Expenses

Management of travel expenses largely falls under the corporate travel department, however, according to 22% of respondents, travel administration and management (processes and policy) falls under procurement (Figure 13). In cases where companies do not have a travel department or sophisticated purchasing functions, responsibility falls on individual managers – i.e., they manage T&E expenses in their specific area.

In the case of expense management, not surprisingly, 66% of the survey base claim that responsibility lies with finance and accounts payable.

Figure 13: Functional Responsibility for Processes/Management



Source: AberdeenGroup, August 2006



Important Capabilities

Additional to the types of technology that companies are currently and/or planning to use, survey respondents conveyed the importance of certain capabilities within these solutions (Table 3). A common theme for both solution types is the user friendliness of the solution, in which over 85% of respondents deemed this “*Very Important.*” This is consistent with companies’ efforts to ramp up adoption rates of such solutions.

Table 3: “Very Important” Solution Capabilities, According to Respondents

Expense Management		Travel Planning & Booking	
User friendliness of solution	89%	User friendliness of solution	87%
Expense reimbursement	83%	Travel policy management	83%
Integration with financial systems	81%	Ability to track compliance to travel policy	82%
Ability to track compliance to T & E policy	80%	Reporting and analytics	81%
Reporting and analytics	80%	Web-based solution	74%
Web-based solution	70%	Online booking	69%
Expense Auditing	67%	Integration with financial systems	69%
Integration to travel planning/booking solution	56%	Traveler Security	65%
Traveler Security	53%	Corporate Card Integration	65%
Level III Corporate Card Integration	48%	Integration to expense management solution	60%

Source: AberdeenGroup, August 2006

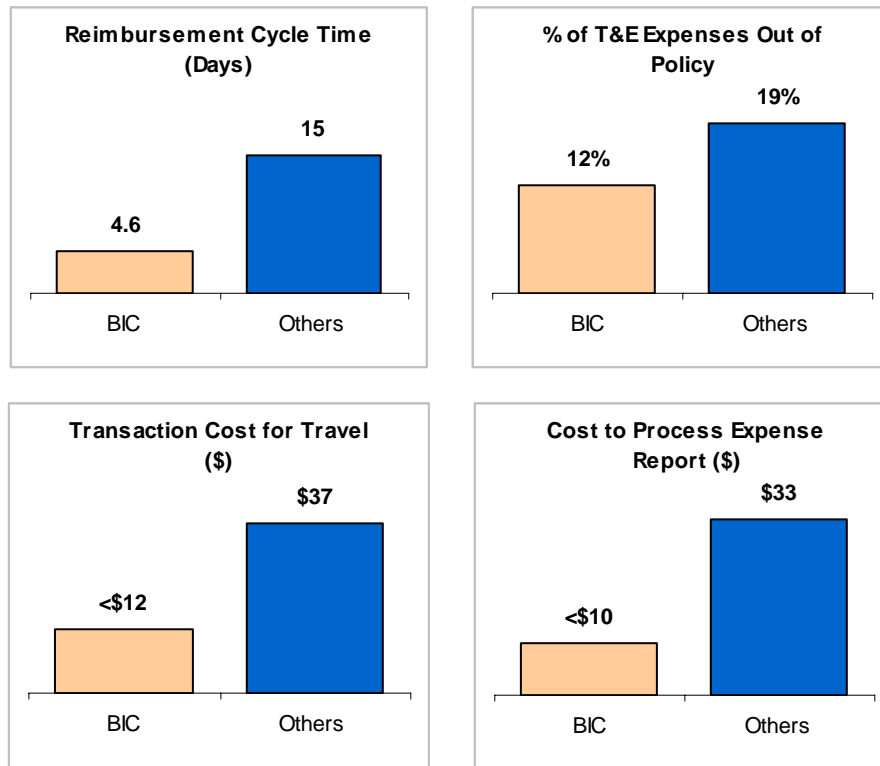
Best in Class Strategies

Benchmark participants fell into one of three categories, Laggard, Industry Average, or Best in Class, based on their characteristics in four key areas: **Process** (standardization, effectiveness, and efficiency of T&E processes); **Organization** (alignment and structure around management of T&E expenses); **Knowledge** (visibility into spending, compliance and performance metrics); and **Technology** (level of automation in travel-booking and expense management).

Best in Class companies were found to significantly outperform the rest of the sample (Figure 14). These companies are able to achieve reimbursement cycle times (creation of expense report to payment) of less than 5 days, compared to 15 days. Best in Class companies also have reduced costs in terms of processing expense reports and transaction costs when booking travel.



Figure 14: Key Performance Indicators



Source: [AberdeenGroup](#), August 2006

Aberdeen Research found that Best in Class companies have achieved superior performance due to the following actions:

- Well-structured and consistent method of communicating, enforcing and updating T&E policy.
- Excellent understanding of T&E spending through collection and analysis of granular and specific data (76% of Best in Class use a corporate card program). Allowing for aggregation of spend and eventually stronger negotiating positions and volume discounts.
- Investments in automation tools to simplify and improve efficiency of processes (e.g., booking travel or reporting expenses), thereby improving compliance to policies.
- Consistent measurement and monitoring of performance and compliance (e.g., expense reporting cycle times)



According to the Ken Scott, Head of Procurement Infrastructure, **RBC Financial Group** spends over \$100 million a year on T&E and process close to 15,000 expense reports each month.

"With this high level of spend, my main job is to maximize compliance to corporate policy," said Scott.

RBC uses various solutions in order to improve the management of this category, a procurement/sourcing tool to execute large contracts with travel suppliers, a travel management company to book travel (online and/or phone), an expense management solution and a corporate card program which captures 95 % of spend data. Ken added,

"In using these solutions RBC has been able to significantly improve compliance, however, there is still a \$ 8-10 million missed savings opportunity which can be captured by education and change in behavior through enhanced compliance."

Combining the benefits that Best in Class companies receive, Table 4 shows a *conservative example* of a company that has on average 17,000 T&E transactions with 21,000 expense reports (this volume naturally varies widely depending on industry and company size). The Best in Class company is able to achieve significantly lower processing costs (largely due to automation) compared to the Average company, resulting in annual savings of approximately \$881,000.

This example is fairly conservative and does not factor in the fact that Best in Class companies have fewer policy violations. Thereby, allowing them to capture more savings and further reduce process costs.

Table 4: Example of Savings Opportunity

Example of Best in Class vs. Industry Average	Best in Class Company	Average Company
Annual T&E Transaction Cost (17,000 Transactions)	\$204,000	\$476,000
<i>Avg Cost Per Transaction</i>	\$12	\$28
Annual Cost of Processing Expense Reports (21,000 Reports)	\$210,000	\$567,000
<i>Avg Process Cost per Report</i>	\$10	\$27
Annual Reimbursement Processing Costs	\$168,000	\$420,000
<i>Avg Cost of Reimbursement per Report</i>	\$8	\$20
Total Processing Costs	\$582,000	\$1,463,000
Average Annual Savings	\$881,000.00	

Source: AberdeenGroup, August 2006



Chapter Four: Recommendations for Action

Key Takeaways

- Understand and analyze where your company is spending its money on travel and entertainment and how it's spending it.
- Centralize management of T&E and standardize processes for booking travel reporting and reconciling expenses.
- Improve communication of corporate travel policy and solicit feedback to improve it.
- Integrate travel booking with expense management, reimbursement tools, and corporate card programs.

Priorities for Laggards

1. *Evaluate current processes for booking travel and reporting and reimbursing expense.* This initial step will help define where improvements are needed and in some cases small or mid-market companies may find it beneficial to use a travel management company.
2. *Understand and analyze where and how your company is spending on travel and entertainment.* Also, identify tools to capture spend data (e.g., Corporate card, A/P reports), which will significantly improve visibility into T&E spending. Better understanding of expenses can impact auditing capabilities for risk mitigation, and preferred supplier negotiations
3. *Centralize management of T&E and standardize processes for booking travel-reporting and reconciling expenses.* Such standardization not only makes the collection of data easier, but communication of policies more effective. Also, standardization helps simplify the audit process.
4. *Establish or update a company-wide travel policy and improve its communication.* Giving employees a stack of documents that outline the company policy is *not* likely to be effective. The key is to inform them of policy violation before it happens i.e., while they making travel arrangements. This is most effectively done through online booking tools that incorporate the company's travel policy.
5. *Encourage use of a corporate card.* Using a corporate or travel card significantly simplifies the process of collecting spend data and if linked to an expense management solution the extraction of data can be automated. One finance executive in charge of corporate card services said, "*Use of a corporate card is mandated, it is our only source of T&E data and we use this to identify fraud and inappropriate expenses*"

Priorities for Industry Average Performers

1. *Improve communication of corporate travel policy and solicit feedback to improve policy.* Using tools that allow for automated T&E policy management and communication can help improve compliance. Communicating the benefits of purchasing



travel within policy also increases awareness (e.g., % saved by using preferred suppliers).

2. *Enforce and monitor compliance to policy.* Ramping up adoption in many cases involves the user friendliness of the particular tool, however, some companies may be forced to mandate compliance to policy. For example, one financial services company publishes a quarterly report to executives heading various business units, it outlines details such as how often employees of the division chose the lowest available air fair or used the wrong rental company.

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3. *Collect data on process efficiency and set targets.* For example, cycle time from creation of expense report to submission, reduction in average trip price, reduction in transaction costs, etc. Use data collected to improve policies and travel contracts. Also, in order to save on transaction and process costs, consider automating travel booking and approval as well as expense reporting and reimbursement.
4. *Use common systems/methods to manage and purchase T&E expenses throughout the company.* In many cases, companies have different systems in use company-wide, making the aggregation of data and reporting problematic. A common system allows for easier analysis of enterprise-wide spending.

Next Steps for Best in Class

1. *Integrate travel booking with expense management, reimbursement tools and corporate card programs.* This level of integration provides companies with a closed-loop system, enhancing visibility into T&E spend as well as improving process efficiency. This approach provides the end user with an integrated front-end, allowing for booking, approval, links to ledger, and recovery and accounting for expenses – all in one place.
2. *Invest in tools that proactively monitor/enforce compliance.* The ability to prevent a violation prior to it occurring is significantly going to improve compliance rates and thus captured savings.
3. *Use T&E data to make improvements.* Collecting data does not mean much if it is not made actionable. One company we interviewed uses T&E data to determine “real” customer profitability. This, for example, would be important to a consulting company that engages several clients throughout the world or companies that have project based work.



Author Profile

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Vishal Patel focuses on the use of technology in the global supply management arena. With the rise of globalization, outsourcing, and government regulations Patel is researching the role software solutions play in making processes such as contract management, strategic sourcing, and overall supply management more efficient and value-adding in this ever-changing environment.

Patel has a manufacturing and operations background, largely in the consumer products industry. He worked previously as an operations/financial analyst focusing on strategic sourcing and procurement as well as supplier contracts both locally and internationally. He brings a combination of analytical abilities, hands-on experience, and a global perspective to Aberdeen.



Appendix A: Research Methodology

Between July and August 2006, **AberdeenGroup** examined the supply chain technology priorities and investment intentions of 296 enterprises. Responding Procurement, finance and travel executives completed an online survey that included questions designed to determine the following:

- Enterprise challenges with T&E expense management and strategies most critical for their success
- Current and future use of technology solutions to enhance performance in T&E expense management
- The establishment, structure, and effectiveness of T&E expense management procedures;

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on management of T&E expenses as well as successful strategies, experiences, and results.

The study aimed to identify best practices for T&E management and provide a framework by which readers could assess their own contract management capabilities.

Other demographics of respondents include:

- **Job title/function:** The research sample included respondents with the following job titles: Finance executives, directors and managers (46%); Procurement executives (28%); Travel manager (13%); IT (5%) and other (8%).
- **Industry:** The research sample included respondents from financial services and banking (18%), consumer goods (21%), chemicals/pharmaceuticals (13%), manufacturing (10%) educational institutions (9%). The remainder of respondents comprised of telecom, retail, food and beverage, publishing and distribution.
- **Geography:** 61% of study respondents were from North America, 23% from EMEA, 12% from Asia/Pacific, and 4% from other regions.
- **Company size:** About 42% of respondents were from large enterprises (annual revenues of US\$1 billion or greater); 38% were from midsize enterprises (annual revenues between \$50 million and \$999 million); and 20% of respondents were from small businesses (annual revenues of less than \$50 million).

Solution providers recognized as sponsors of this report were solicited after the fact and had no influence on the direction or results of the report. Their sponsorship has made it possible for **AberdeenGroup** to make these findings available to readers at no charge.



Appendix B: **Related Aberdeen Research & Tools**

Related Aberdeen research that forms a companion or reference to this report include:

- [Corporate Payment Cards](#), August 2006
- [Best Practices in Category Spend Management](#), September 2005
- [Category Spend Management Report: Travel](#), June 2004

Information on these and any other Aberdeen publications can be found at www.Aberdeen.com.



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- PRIORITIZE operational improvement areas to drive immediate, tangible value to their business
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