

# Q1, 2018 Travel and Expense Management Report

Exploring the Value and Use Case of Leading Travel and Expense Management (TEM) Automation Software

## Q1 2018 | Featuring insights on...

- » Current Expense Management Trends Among North American Organizations
- » Benefits of Automating Expense Management Processes
- » Features and Functionality of Leading TEM Solutions
- » Strategies for Overcoming TEM Adoption Barriers
- » A Leading TEM Solution Provider

Underwritten in part by



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# Introduction

The travel and expense management (TEM) solution is one of the most useful and widely adopted back-office process technologies on the market today. Organizations of all sizes turn to these systems to reduce processing costs and gain more control over travel and expense (T&E) spend. By eliminating manual expense reporting, organizations are boosting employee productivity—and their own chances to be major competitive forces within their markets.

Although PayStream's research indicates that over half of North American businesses have adopted a TEM solution, many companies still resist expense reporting automation. These companies give several reasons for their resistance to adoption, but the leading barrier is a belief that current processes are working. However, research also shows that in actuality, current, manual-based processes do not work. Companies that do not automate experience higher costs, more frequent reporting errors, and lower employee morale than companies with TEM software. These issues are not only tiresome, but they only grow worse the longer they are left unattended.

This report is for companies that are still hesitant to adopt TEM software. It serves to illustrate the sharp contrast between manual and automated expense reporting. It highlights current trends in expense management among today's leading organizations, and showcases the benefits of automation. It also includes an overview of leading TEM software features and functionality, as well a list of strategies for overcoming several common TEM adoption barriers.

# Today's Expense Management Process

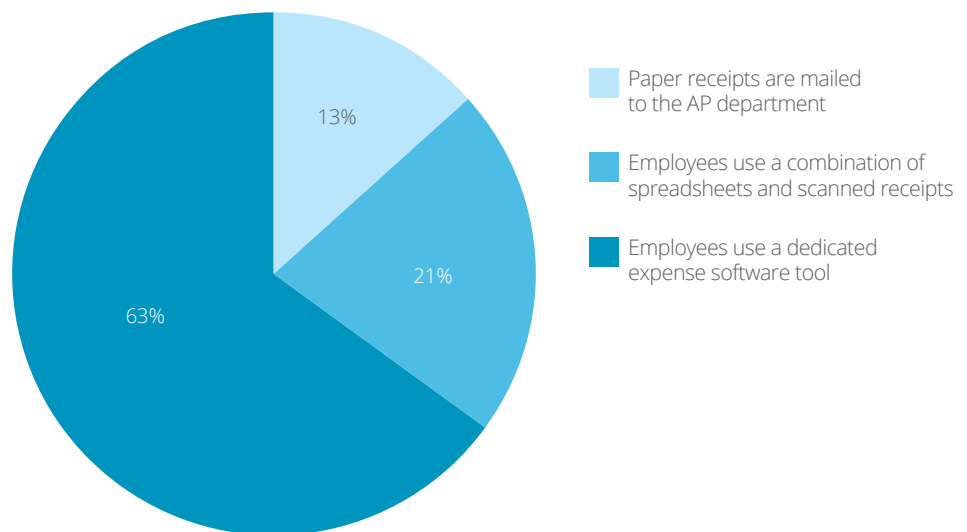
PayStream Advisors surveyed several hundred individuals employed in many different industries to identify current trends among organizations' traveling workforces and usage of TEM automation software. Typically, the most common manual methods for processing travel expenses are sending paper receipts directly to the AP department or submitting a spreadsheet along with scanned images of receipts. Both methods place the majority of the burden on the traveling employee, and require careful attention, organization, accuracy, and time. Both methods are also very inefficient financially and temporally, and tend to lead to errors in reporting and a greater risk of non-compliant or fraudulent employee spend. Fortunately, survey results show that the majority of organizations are using an expense management software for this process, see Figure 1.

Figure 1

EMPLOYEE EXPENSE REPORT SUBMISSION METHODS

**Over Half of Organizations Report Using an Expense Reporting Tool**

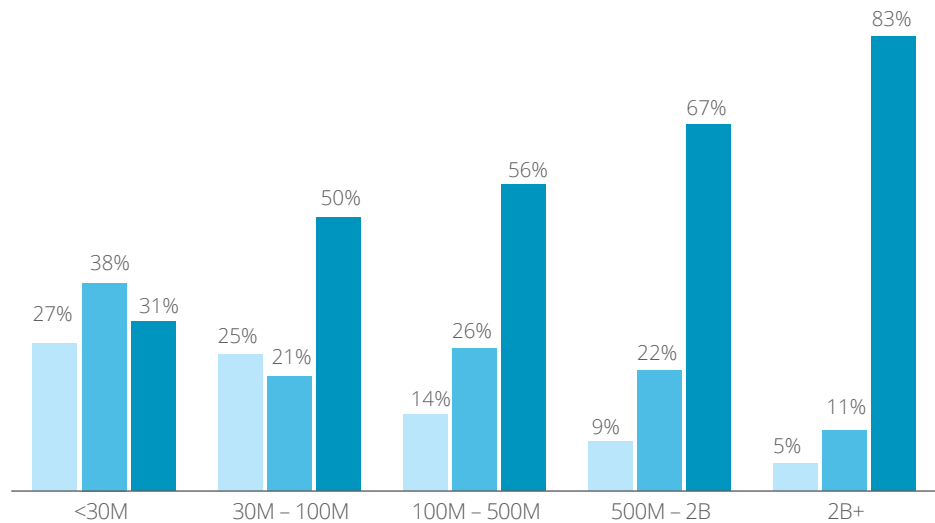
*"Please select the method with which your employees submit expense reports."*



There are a few factors that affect the likelihood of whether or not a company has adopted an expense management tool, including company age, culture, and industry. However, PayStream has found that the greatest factor is revenue, see Figure 2. The higher a company's revenue, the more likely it is to use a dedicated expense management software tool to process expenses. It is also true that, for the most part, the larger the company is, the less likely it is to require mailing paper receipts to the AP department.

**EXPENSE MANAGEMENT SOLUTION USAGE BY INDUSTRY**

- Paper receipts are mailed to the AP department
- Employees use a combination of spreadsheets and scanned receipts
- Employees use a dedicated expense management software tool



This trend is likely due to the fact that companies with higher revenues and more employees typically have more travel, spend, and data that requires careful management. They are also likely to have more resources with which to invest in an expense reporting software. However, PayStream has seen both an increase in more affordable and versatile TEM options on the market, and a correlating increase of interest in TEM technology among lower-revenue companies.

**Figure 2**

**Larger Organizations are More Likely to Have Adopted an Expense Management Solution**

*"Please select the method with which your employees submit expense reports."*

&

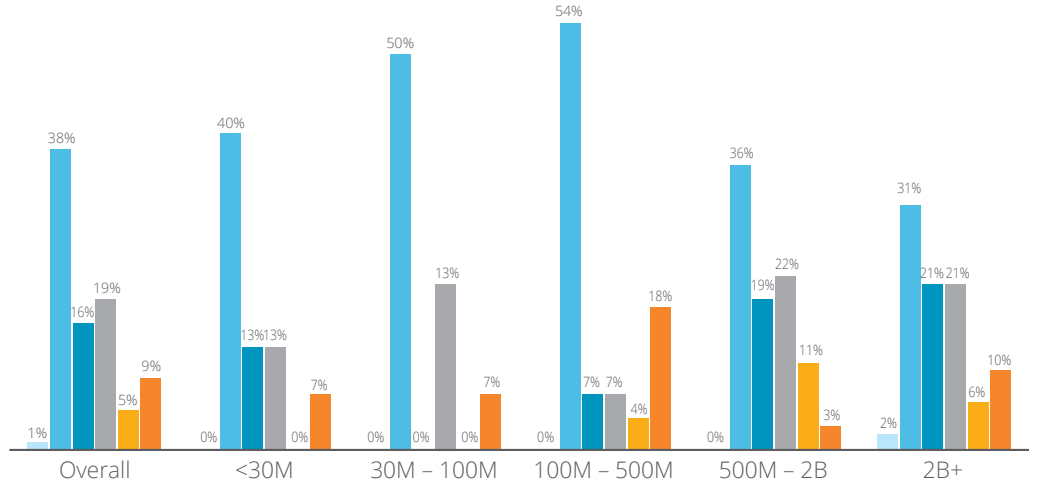
*"What is your organization's annual revenue in the most recent 12-month reporting period?"*

Whether or not a company adopts a TEM solution also depends on its current state pain points. When survey respondents were asked about the leading motivations that led them to adopt a software, the largest issues were manual data entry and inefficient processes, followed by a lack of visibility into spend, see Figure 3.

**TEM ADOPTION MOTIVATORS BY REVENUE**

- Lengthy reimbursement cycles
- Manual data and inefficient processes
- High cost of processing an expense report
- Lack of visibility into spend
- Inability to enforce corporate travel policies
- Increase in overall T&E expenses

**Figure 3**



Although all revenue segments reported manual processes as their top problem, there were some slight variations across company size. For example, the inability to enforce corporate travel policy and lengthy reimbursement cycles were only highly important issues for companies at the upper middle market (UMM) and enterprise level. This is likely due to larger companies' lengthier approval processes and stricter controls around spend management.

**Manual Data Entry and Inefficient Processes is the Top Motivator for TEM Adoption**

*“What were the top reasons your organization ultimately decided to adopt your expense management solution?”*

&

*“What is your organization’s annual revenue in the most recent 12-month reporting period?”*

For example, the healthcare industry is much more likely to report manual processes as the leading motivator, which could be attributed to the fact that the industry's is inundated with high volumes of paper. Finance is more concerned with the cost of processing an expense, which may be due to the prevalence of highly paid employees and costly reports. The manufacturing industry's top motivator is a lack of visibility into spend, which is likely related to these organizations' low margins.

**TEM ADOPTION MOTIVATORS BY INDUSTRY**

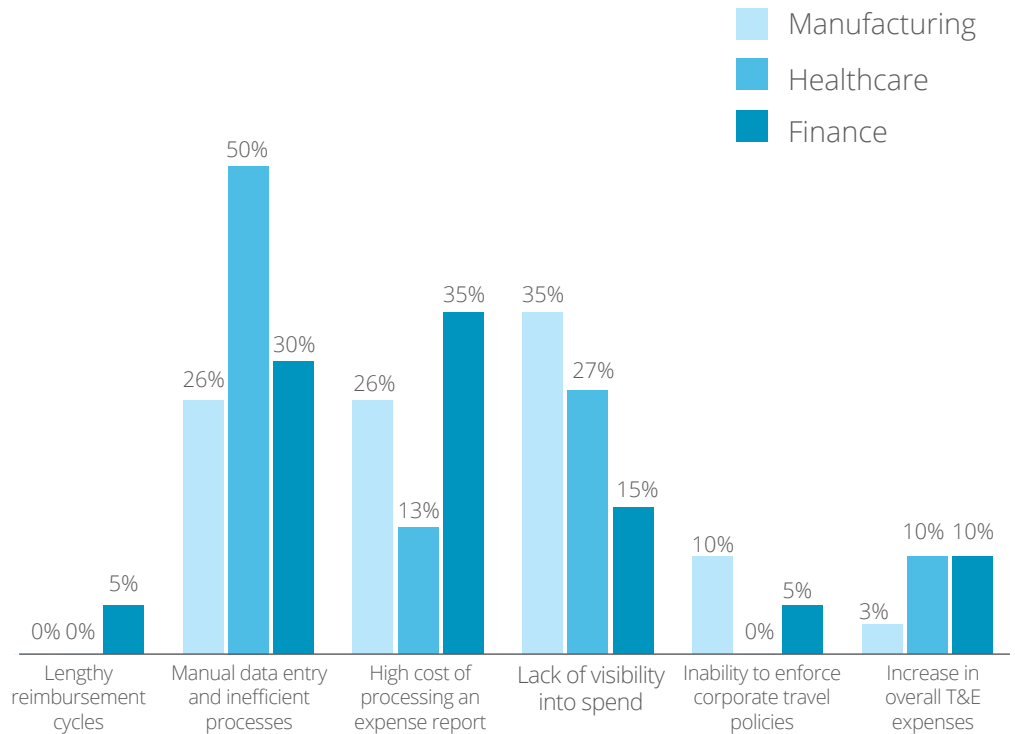
**Figure 4**

**Adoption Motivators Vary Slightly by Company Industry**

*"What were the top reasons your organization ultimately decided to adopt your expense management solution?"*

&

*"Please select the standard industry description that best fits your organization."*



Once companies have adopted a TEM software, many of the issues listed in the figures above are reduced and/or eliminated. According to survey results, the top benefits achieved by adopters of TEM software are improved visibility over spend, quicker employee reimbursement, an increased ability to enforce travel policies, and lower processing costs, see Figure 5.

**BIGGEST BENEFITS ACHIEVED THROUGH TEM AUTOMATION**



**Figure 5**

**Most Organizations Report Improved Visibility into Spend After Adopting TEM**

*“What are the biggest benefits your organization has achieved by automating your expense management?”*

These benefits have many long-lasting effects for organizations. Improved spend visibility allows companies to identify areas of improvement in their spend management, inefficient purchasing strategies and contracts, and fraudulent employee activity. Lower processing costs improve a company’s financial state and free up resources for investments. Quicker reimbursement and improved employee satisfaction both lead to boosted employee morale and productivity, which can have a direct effect on a company’s product delivery, competitive advantage, and business success.

The following section offers a high-level guide to today’s leading TEM software offerings, including features, functionality, and services.



# TEM Features and Functionality

TEM solutions consolidate reporting tasks, reduce reliance on paper-based processes, and improve visibility into expense management—all while providing advanced business intelligence and analytics tools to proactively control costs. This section outlines the features found in today's leading TEM solutions, from pre-trip authorization through post-trip analysis.

## Pre-Trip Authorization

With today's TEM solutions, users can plan and book a trip in advance, as well as submit travel plans for approval. This eliminates the occurrence of unauthorized expense reimbursement requests after a trip, and it reduces one of the primary problems associated with T&E—spend outside of company travel policies. Integrated booking and expense management systems incorporate the client's corporate travel policies, preferred vendors, and spending limits during the pre-trip authorization process. The TEM system sends notifications to employees that are attempting to book outside company spending limits, saving valuable time for both employees and approvers. Managers also receive pre-trip notifications, are notified when out-of-policy requests are submitted, and may approve or deny requests based on budget restraints or spend limits.

## Online Booking

Essential to the pre-trip planning process, online booking functions provide companies with an additional level of control in corporate travel, as well as competitive prices that increase savings. Online booking provides employees with a tool to book airfare, hotel reservations, and transportation through approved or preferred vendors only, thereby cutting costs and increasing volume-based discounts and frequent traveler rebates.

Some tools automatically create a tentative travel itinerary based on a user's parameters. For example, a traveling employee can enter the time, dates, and preferred methods of travel for an upcoming trip, and the booking tool will build a plan of ready-to-book items that cover the transportation and accommodation needs for the entire trip, such as rental car, flight, train ride, and hotel stay. Other tools can save recurring trips for one-click booking, such as for a business

professional that makes regular trips to a client or subsidiary company in another state or country.

Most TEM providers offer booking through a partnership with one or more leading travel booking companies, such as GetThere, NuTravel, and Egencia. Some TEM solutions have designed their own native, fully integrated booking tools, while others have a technically-agnostic system that will pull all travel booking information from a vendor of the client's choice. However the integration is offered, most solutions automatically transfer itineraries into a company's TEM system and connect the itineraries to expense reports after a trip has been completed.

### **Mobility**

TEM is increasingly dependent on mobile functionality, and solution designers are making mobile features one of their top priorities in development. One of the most valuable assets of mobility is the real-time dynamic—traveling employees can submit their expense reports from anywhere at any time, and approvers can see the information clearly, accurately, and immediately. In many cases, this technology enables expense approval in just minutes.

A fundamental capability of mobile TEM is its receipt capture functionality. Most providers attach pictures of receipts to expense reports for later verification, but many of the leading developers also now provide OCR scanning, which extracts the data from the receipt and automatically matches it to the expense report. This reduces reliance on manual data entry—instead of entering each individual expense, users need only verify the extracted information and submit for approval. Some TEMs have developed partnerships with commonly used vendors (e.g., food and beverage providers or airlines). These partnerships ensure that employees earn loyalty rewards and negotiated business rates by syncing purchases with the company's TEM solution.

Mobile apps also allow for IRS-compliant electronic receipts, receipt forwarding, app integration, offline mode, mileage calculators, and other features. Providers are designing their software to be compatible across many devices—users can begin their expense report submission on a tablet or smartphone and finish on a desktop computer without any loss of accuracy or content.

## Expense Reporting

Accurate expense reporting is vital for controlling travel and expense spend. Modern TEM solutions automate expense reporting by pre-populating expense reports from corporate credit card transactions, receipt image capture, and electronic receipts, thus eliminating an otherwise time-consuming and error-prone manual entry process.

The simplest step in this process is submitting each expense, whether pre-calculated or unexpected, and attaching receipts or records of purchase. Expense reporting tools have many advanced features for submitting expense items, including direct bank import of commercial and personal card transactions, global capability (for languages, currencies, tax regulations, etc.), automatic expense categorization based on company policies and type of spend, and more. Integrating with corporate cards programs is an important element of streamlining expense reporting. Some providers also offer their own travel card program for companies that do not yet have a corporate card program, such as smaller organizations.

With increasing global business travel, some TEM solutions provide in-solution translators and custom translations for specific phrases and words within the system, visible to all employees who work in any given language. Some solutions also offer integration with tax and advisory services. These provide increased visibility into potential areas of tax compliance failure, immigration law liability, and necessary compliance procedures (e.g., payroll withholding tax) each time an employee books a trip through the company's TEM solution. This type of integration is important, as breaches of tax or immigration laws can mean that companies do not uphold their duty of care towards their employees. It also ensures that tax or immigration issues don't prevent employees from carrying out business while they are traveling.

## Approval, Reconciliation, and Expense Reimbursement

PayStream's survey results show that expense reporting approval workflow is considered the most valuable TEM feature by most organizations, see Figure 8. This aspect of TEM automation saves employees and managers valuable time by speeding up approvals from managers and reimbursements to employees. Configurable routing and customizable policy triggers ensure that reports are properly routed with little manual intervention, and automatic escalation settings ensure that requests are approved in a timely manner. Mobile approvals provide on-the-go managers with a way to

manage expense approvals via smartphones, tablets, or any device with email connectivity. Administrative features speed up and control the process with support for bulk actions, comment fields, and central administration and reconciliation of company card transactions.

Improved approval workflow processes result in shorter processing times for reimbursements, thus increasing employee satisfaction and productivity. While organizations use different methods to reimburse employee expenses, most prefer direct deposit, see Figure 9. Many TEM solutions support direct deposit reimbursement or integrate with clients' payroll systems. The solutions also allow employees to track the progress of their payment through every step of the submission, approval, and reimbursement cycle.

### **Post-Trip Analysis**

Gaining access to T&E data has proven to be a significant hurdle in achieving cost control and compliance for many companies. It is difficult to control T&E spending without the ability to identify patterns in travel activity. Companies that employ TEM solutions have instant, real-time access to key metrics and reporting data to analyze spending at various levels, including employee, department, and supplier. This variable data can be analyzed to eliminate wasteful expenditure through control measures and regular audits. Companies can also identify frugal and problem users to ensure that approvers and auditors are focusing their attention on the right individuals or departments.

Post-trip analysis tools provide purchasing managers with invaluable information regarding a company's overall T&E spending habits, which is yet another compelling feature of TEM solutions. There are also standalone T&E auditing solutions available that further relieve the pressure on AP staff by evaluating spend reports to determine weak spots in policies and employee policy adherence.

Many TEM solutions also bring some of the back-end reporting functionality to front-end processes. When submitting expense reports, employees can provide business ratings and reviews to improve spending techniques, enhance vendor relationships, and help select preferred vendors.

# Overcoming TEM Adoption Barriers

Despite the benefits of TEM software, approximately one-quarter of respondents reported they still process expense reports using manual methods. When asked why they have not adopted a solution, the primary reason reported was a belief that current processes are working, followed by a lack of budget, see Figure 6.

**Figure 6**

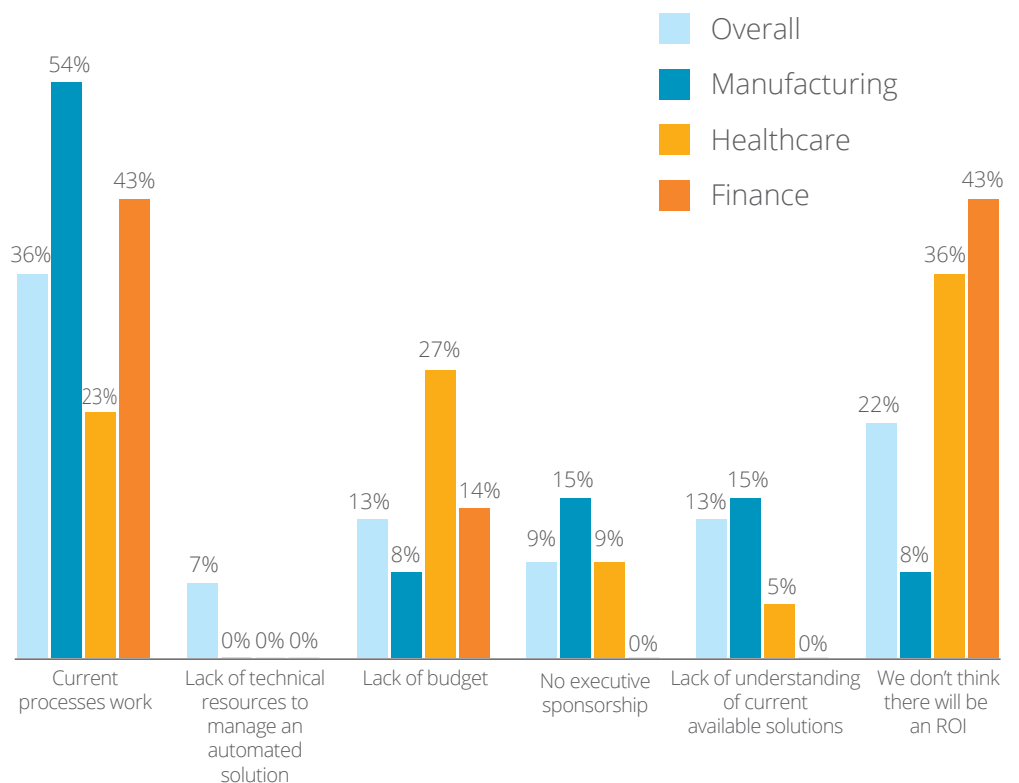
**Most Organizations Do Not Automate Because of a Belief That Current Processes are Working**

*“What is the primary reason your organization has not automated its expense management process?”*

&

*“Please select the standard industry description that best fits your organization.”*

## TOP OBSTACLES TO TEM ADOPTION BY INDUSTRY



Some of these barriers vary by industry. Manufacturing companies are more likely to resist automation because of a belief that current processes work as well as a lack of understanding regarding available solutions. These barriers are likely due to the industry's slow pace at adopting back-office technology in general, as well as their reluctance to disrupt their operations in any way that could affect their complex and often delicate supply chains. On the other hand, the finance industry is more concerned with how the solution would affect their resources, as they were the most likely industry to believe there would be no ROI from adoption. This barrier somewhat reflects the industry's

general focus on financial security and quality investment. Healthcare professionals are also concerned with the financial aspect of adoption, as they list a lack of budget or no ROI as their reason for not automating. This could be due to the fact that 40 percent of healthcare organizations reported annual revenue of under \$100M, and they likely have fewer resources with which to invest in technology.

In any of the above cases, PayStream believes that the main issue is a lack of education in several areas. The following items illustrate some of gaps in knowledge that lead companies to continue with manual expense reporting—and how to overcome them.

*Barrier: Current processes are working*

*Solution: Benchmark the current state against a fully automated state*

Organizations should evaluate their current state to understand the possibilities available to them in expense management efficiency, and to understand how broken these current processes are. A few current-state items organizations can measure include processing costs per expense report, time spent by traveling employees, approvers, and accounting processing expense reports, and the frequency of reporting errors and process issues.

In truth, current processes lead to many problems for employees, cash flow, and business success. One of the best ways to understand that effect is to look at the actual cost to process an expense report. Table 1 illustrates processing costs based on how much automation a company has. In this example, “Some Automation” refers to companies that have adopted some T&E-related software, such as an online booking tool. A fully automated process involves a holistic TEM solution. On average, costs can drop from over \$25 dollars per expense report to under \$7 with an automated system.

**Table 1**

**Average Expense Report Processing Costs**

*“What is the average cost to process a single expense report?”*

Type of Processing	Average Total Cost
Manual	\$26.63
Some Automation	\$17.31
Full Automation	\$6.85

*Barrier: Belief that there will be no ROI*

*Solution: Measure the cost of manual processing*

This belief that there will be no ROI tends to come from both a lack of understanding of the value of TEM software, and a lack of awareness at the actual costs of the current state. Organizations should leverage their findings from their current state assessments to identify their current costs, and then use this data when pricing TEM solutions. Typically, they will find that the long-term ROI—in both hard and soft savings—far outweighs the cost of automating.

*Barrier: Lack of budget*

*Solution: Take a broader look at the market*

As previously noted, there is an increasing number of affordable TEM options available on the market today. These solutions are tailored to the more restricted resources of companies in the small and lower middle market (LMM) revenue segments. PayStream has also found that many companies believe some back-office solutions are more expensive than they actually are, usually because the companies are only familiar with the expensive pricing of big-box providers. This is true of TEM software. The best way to understand how a solution will fit inside an organization's budget is to explore as many options as possible, particularly among solutions designed for smaller companies.

*Barrier: Lack of understanding of available solutions*

*Solution: Leverage educational material & talk to providers*

Fortunately, readers of this report have already taken one of the necessary steps to overcoming this barrier, which is to seek education on TEM software and the value of an automated process. Another solution, as with when overcoming “a lack of budget” adoption barrier, is to speak with a variety of TEM providers. This will help organizations expand their perception of what a TEM software should be able to do—and which type of solution is right for their needs.

*Barrier: No executive sponsorship*

*Solution: Present educational findings*

The best way to gain executive buy-in to technology adoption is to educate shareholders. This means leveraging the findings of all the steps above to present three vital things:

- » The costs, pains, and risks of the current state
- » The ROI, value, and competitive possibilities of the future state
- » The use case of TEM software (features, functionality, and what can be automated)

These elements should be included in any business case for a TEM solution adoption, and they depend upon an organization carefully evaluating their own business needs in order to make an educated and strategic solution choice. In order to further assist with this choice, the following profile summarizes the features of one of the travel and expense management industry's leading providers.



# Coupa

Founded in 2006, Coupa is a leading business process automation software provider based in San Mateo, California. Coupa is a cloud platform for business spend that automates processes, such as P2P and source-to-pay (S2P), in order to help companies get full visibility and control over all spend. Coupa's TEM product, Coupa Expenses, is tailored for middle-market and enterprise clients. Coupa Expenses has benefited from significant investments in T&E-focused technology; the company acquired Xpenser in 2012 to expand domain expertise and capabilities in the expense management space, and TripScanner in 2015 in order to offer an open booking solution. Coupa Software went public (NASDAQ:COUP) in October 2016.

Founded	2006
Headquarters	San Mateo, CA
Other Locations	15+ global locations across North America, EMEA, and APAC
Number of Employees	800+ FTEs
Target Verticals	Financial Services, Healthcare, Energy, Manufacturing, Retail, Professional Services, Food and Beverage, and Technology
Partners / Resellers	KPMG, Deloitte, Accenture, Sabre, Egencia, and more
Awards / Recognitions	PayStream 2016 P2P Automation Navigator; Gartner MQ for P2P Suites 2016; Forrester 2017 eProcurement Wave; Forrester 2017 Top 6 SaaS Breakout Vendor

## Solution Overview

Coupa Expenses can integrate with any ERP by providing REST-based APIs and Flat File Formats that transfer expense report data from Coupa's solution to the ERP. Coupa also integrates expense report data with ERPs, such as NetSuite (using Suite Script technology), to create vendor bills or expense reports within the ERP. Coupa Expenses supports VAT reclaim to facilitate compliance with tax policies around the world, as well as multi-language, multi-currency customization

options. Coupa also provides a native mobile application for iOS and Android mobile phones, tablets, and computers.

### **Travel and Expense Management**

Coupa Expenses allows users to upload receipts in several ways. On mobile, users can take a picture of a receipt directly from the app or upload receipts from the phone's camera roll. Alternatively, users can browse files on their desktop or drag and drop them into the user interface. The solution uses OCR to automatically parse receipts and create expense lines. Users can also email receipts directly into the digital wallet, where they are automatically converted into expense lines with Coupa's email forwarding and parsing feature. Coupa's SmarterTrip location-based notifications automatically creates an expense for review based on where a user's phone reports its location. With Coupa's voice expensing feature, expense lines can be created simply by speaking into the mobile app.

Receipts can also be uploaded through travel integrations. Coupa Expenses integrates with leading Online Booking Tool (OBT) providers such as Sabre GetThere, Egencia, and TripActions, to import trip itineraries and receipts and automate expense line creation. Coupa groups expenses by trip and matches expense lines with the corporate card feed. After users obtain pre-trip authorization and book through their approved travel provider, the expense lines flow directly into Coupa from the travel management provider and generate approval workflows based on the policy conditions set within Coupa.

Coupa also receives electronic receipts from over 300 supported travel providers. These receipts are automatically parsed to create expense lines with itemized details. This integration works with major airlines (United, American, Delta, Lufthansa, etc.), major hotel chains (Marriott, Hilton, Starwood, Holiday Inn, etc.), major travel management companies (BCD travel, Carlson Wagonlit Travel, Concur Travel, etc.), and modern travel providers such as Uber, AirBnB, and Lyft.

Administrators can set policy limits on expense reports at a granular level, including by category, receipt amount, or chart of accounts. Administrators can also set policies based on multiple conditions and tailor policies by user groups, such as executives or employees by region. Policies are enforced by configurable approval chains and triggered by policy violations. Furthermore, with submission blockers, policy violations and/or other conditions, such as missing receipts, can prevent expense report submission altogether.

Coupa Expenses allows administrators to create dynamic workflows directly within the user interface based on a set of conditions, such as expense report amount, cost center, or custom fields. For instance, companies can set the amount of time that an expense report will wait for approval before it becomes overdue. If approvals are overdue, then the expense report will automatically move on to the next manager in the approval hierarchy.

During expense report review, Coupa Expenses flags any potential issues prior to escalation. For example, administrators can set conditions for easy per diem rates and approvers can view spend according to date and category while approving expense reports. Spending charts help approvers visualize spending patterns prior to approving expense reports. Coupa's Advanced Auditing Triggers feature allows companies to selectively route expense reports to audit by setting trigger conditions such as expense report age, policy violations, total amount, or report score.

Coupa's Real-Time Reporting tool allows companies to manage spending by categories such as hotel location, travel route, and rental car location. For corporate meals, gifts, and events, Coupa's Attendee Tracking gives users the option to search for and add attendees to expense reports with additional details, such as title and company.

Employees can be reimbursed through an integration compatible with any payroll/HR system. Reimbursements can also be set up through an ACH, electronic print check, or iWire to 170 countries through Coupa Payments. Coupa integrates directly with all major commercial cards and personal cards. Administrators can also set approvals to control and monitor payments.

Coupa's offers T&E benchmarking feature to track internal metrics such as expense policy compliance or corporate card usage over time. The benchmark dashboard provides actionable recommendations based on a company's performance against its peers. Coupa also uses behavioral influence indicators (e.g., "Frugal Meter" or "Over Limit" gauges) throughout the solution to correct inefficient employee activity and improve future behavior.

### **Implementation and Pricing**

The duration of the implementation depends on the size of the company and the complexity of integrations, but typically lasts 2-4 weeks for a mid-market customer and 3-4 months for an enterprise customer. As part of the implementation, customers work directly with

the implementation team to define success metrics for the solution, and Coupa continues to work with the customer on achieving these success metrics after go-live.

When customers join Coupa, they are offered a free platform training certification course, which includes a one-day onsite or remote training that covers the latest administrative capabilities of the solution, including lecture, demonstrations, and hands-on exercises. Coupa also offers live role-based training, where weekly courses focus on a different role such as buyer, accounts payable, or administrator. All Coupa users are allocated a dedicated Customer Success Manager during and after implementation. Coupa users can also access a support hotline and contact information for sites around the world that offer 24/7 support.

Coupa Expenses users have the option to pay on a per-expense report basis with unlimited users and no overage penalties, or on a per-user basis, with unlimited expense reports per user.

# About PayStream Advisors

PayStream Advisors is a research and advisory firm focused on business process automation in sourcing, supply chain management, procurement, accounts payable, payments, and expense management. PayStream's team of experts provide targeted research and consulting services to address the changing needs of finance and procurement professionals. In short, PayStream is dedicated to maximizing returns and minimizing risks associated with technology investment. PayStream's research reports, white papers, webinars, and tools are available free of charge at [www.paystreamadvisors.com](http://www.paystreamadvisors.com). PayStream Advisors is a division of Lewel, an IT consulting firm specializing in technology strategy, design, architecture, and DevOps.

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