



Expense Reporting: Global Practices and Pain Points

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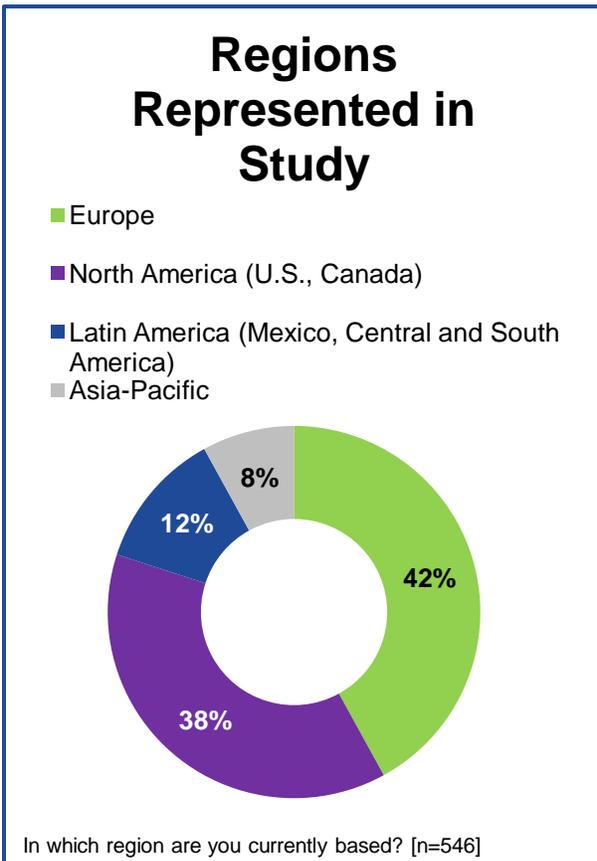
OBJECTIVES

This research report presents results from a survey of travel buyers or managers¹ and intermediaries² across the globe, conducted by the GBTA Foundation, in partnership with HRS. The goals of this research include: (1) understanding the expense report process at companies across the globe, (2) learning about current pain points in the expense reporting process; and (3) identifying areas of opportunity to improve existing practices.

METHODOLOGY

This study is based on an online survey of 533 respondents, all of whom are travel buyers or intermediaries from around the globe (42% Europe, 38% North America, 12% Latin America, and 8% Asia/Pacific). In this report, the collective of respondents is referred to as “Travel Managers.” The survey fielded from September 22 – October 6, 2015.

Due to rounding, total percents may add to 99% or 101%. Additionally, figures displayed in a chart may not always add to the exact figures in the report for this same reason.



EXECUTIVE SUMMARY

Globally, Travel Managers feel preparing an expense report for submission, including entering the data and attaching receipts, present the largest obstacles. This aligns perfectly with the third greatest obstacle — checking expense reports for errors and/or missing data. At an average company, one in five (19%) expense reports are submitted with errors each year. This translates into thousands of hours spent correcting or providing missing information on expense reports, each of which costs costing an average of €48 per report to correct, rising to an average of €98 per report of companies with 10,000 or more employees. If the data input process could be improved with greater accuracy and oversight, fewer resources could be used revising expense reports for proper submission.

Additionally, this research reveals the following about expense reporting around the globe:

- A majority of Travel Managers (70%) around the world work for companies that internally-process expense reports with the help of third-party software, while one in five do so without such software (19%), and very few outsource this process entirely (4%);

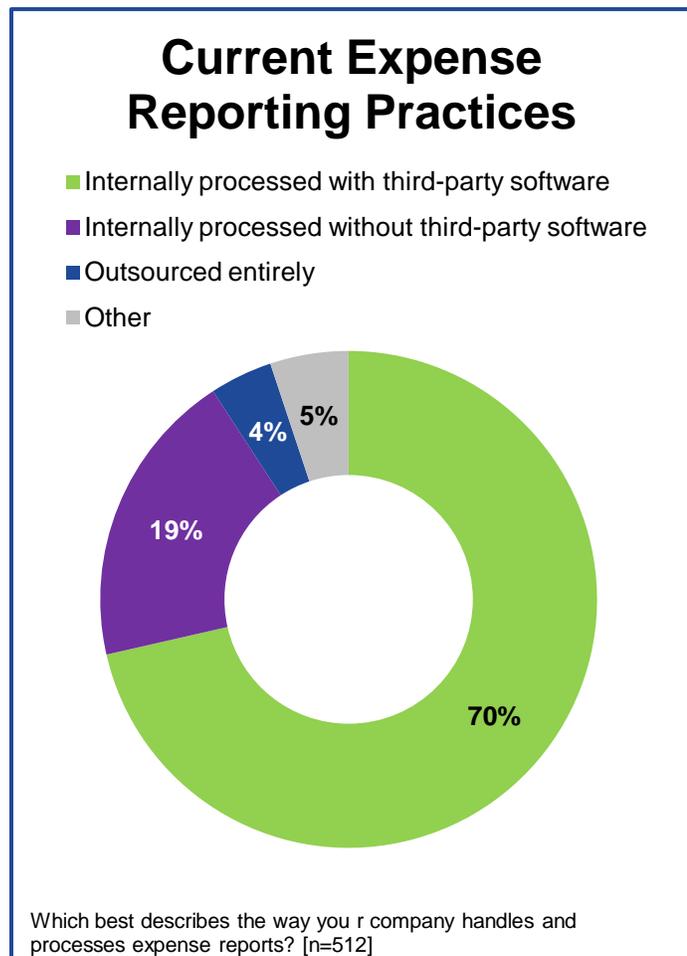
¹ Those who self-identify with the following statement: I work for a company that buys and manages travel services from travel suppliers.

² Those who self-identify with the following statement: I work for a company that does the travel services on behalf of a travel buyer.

- Airline tickets are most commonly booked using a Central Travel Account (52%), while hotel reservations and ground transportation services are frequently secured by business travelers using a personally-held company credit card (62% and 59%, respectively);
- When reporting expenses, itemizing costs by type (e.g. room service, dry cleaning) is most common (59%) and expense reports are often submitted electronically via expense management software (77%); and
- When it comes to submitting receipts, Travel Managers in Europe and Latin America most often turn in paper receipts (81% and 71%, respectively), while those in North America most often submit scanned images of the receipt (84%), electronic receipts (62%), and even photos of the receipt using a smart phone (61%).

STATE OF THE INDUSTRY: EXPENSE REPORTING

Whether using a personal or corporate credit card for a day trip or an extended business trip, part of every business travel experience is the expense report. Despite three-quarters (71%) of business travelers around the globe being satisfied with their overall travel experiences, a large swath (45%) are less than satisfied when it comes to completing their expense reports, according to a recent study conducted by the GBTA Foundation, in partnership with American Express.³ Additionally, the same report finds that two in five business travelers are not satisfied with their ability to keep track of their receipts (41%) or the method they are required to submit expense reports and receipts (46%).⁴ With advances in technology, dissatisfaction with such processes are likely lower now than in years past, but, due to the unavoidable nature of expense reporting, having a market where roughly half of customers are less than satisfied is not good enough.



³ Data extracted from research conducted to form the *GBTA Business Traveler Sentiment Index™ Global Report - July 2015, in Partnership with American Express.*

⁴ Ibid.

How are expense reports currently processed?

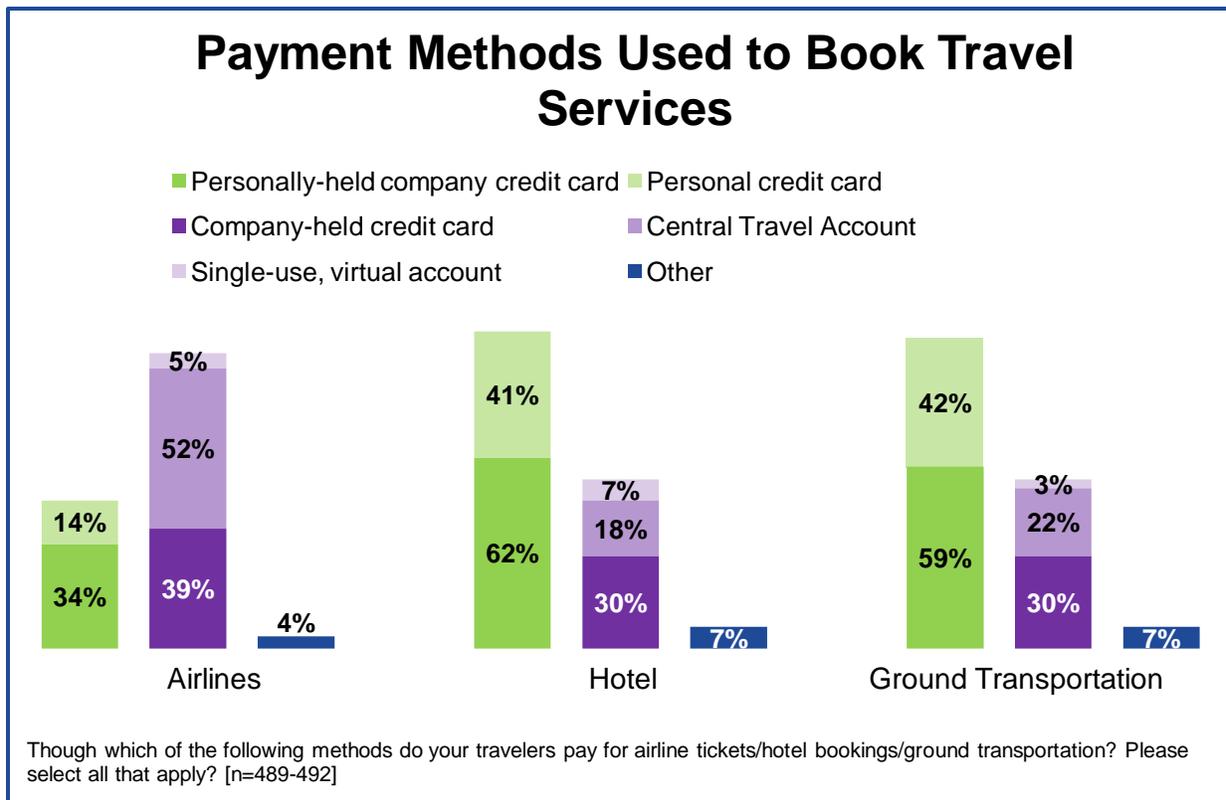
Seven in ten (70%) Travel Managers currently process expense reports internally using third-party software,⁵ two in ten (19%) process expense reports internally without the help of third-party software, and four percent outsource this process entirely.⁶

One-half (50%) of Travel Managers worldwide use an Enterprise Resource Planning (ERP) software product, while one-quarter (23%) use Microsoft Excel.

Using a third-party software is most popular in North America (79%), Asia-Pacific (75%), and to a slightly lesser extent, in Europe (66%). Comparatively, it is much less popular in Latin America (55%) where internally-processing expense reports without using a third-party software is significantly more prevalent (34%), which may explain the disproportionate use of Microsoft Excel (43%) there.

What payment methods are commonly used to book travel services?

Overall, hotels and ground transportation services have similar payment method booking patterns, while airline bookings differ. Airlines are most often booked using payment methods held or controlled by the company — a company-held credit card (39%), a Central Travel Account (52%), or a single-use, virtual account (5%). Meanwhile, hotel bookings and ground transportation services are more often booked with traveler-held payment methods like a personal (41% and 42%, respectively) or company credit card (62% and 59%, respectively), making advance payments by the travelling employee more common for these travel categories.



⁵ In this case, a third-party program is defined as a program into which the expenses are loaded, automating a report for submission for approval before being delivered to a company's in-house accounting or finance department.

⁶ In this case, outsourcing is defined as an external party that handles every element of expense reporting, from compiling expense reports to securing the required approvals to processing payments and reimbursements.

Travel Managers report that business travelers in North America book airline tickets with a personally-held company credit card (49%) more often than those Europe (23%) or Latin America (22%), while those in Germany are more likely to use a company-held credit card (49%), compared to Nordic countries (15%, Sweden, Norway, Denmark, and Finland) or the rest of Europe (25%). Travelers in the Nordic countries are much more likely to use a CTA (83%) than those in Germany (38%) or the rest of Europe (59%) – as are those at large companies (59%, 10,000 or more employees), compared to those at small companies (40%, 999 or fewer employees).

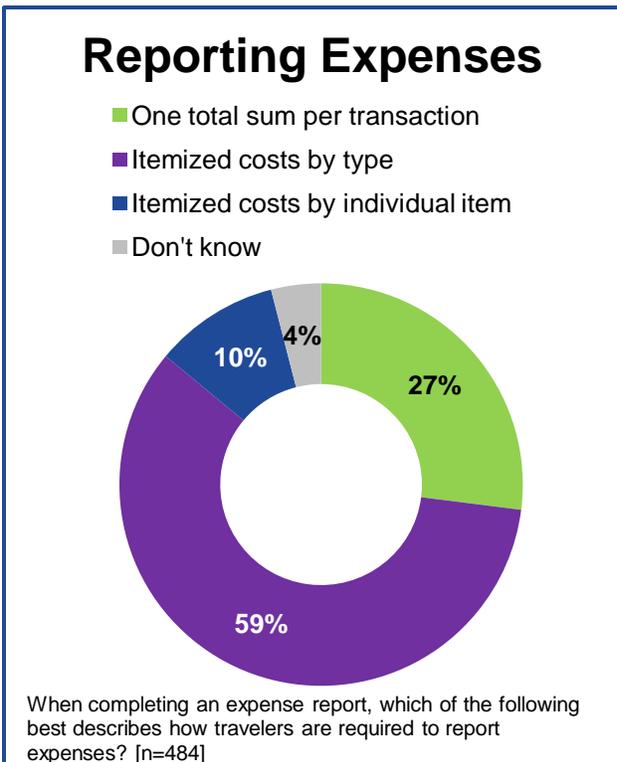
In Latin America, Travel Managers are much more likely than other regions to use a single-use, virtual card (15%, compared to 7% of all Travel Managers) and much less likely to use a personal credit card (22%, compared to 41%) to book hotel rooms. A majority of those in Germany use a personally-held, company credit card (66%) or a personal card (56%) to do the same. Interestingly, those who internally-process expense reports without the help of a third-party software are more likely than others to book hotel rooms with a personal credit card than Travel Managers overall (53%, compared to 41%).

When it comes to paying for ground transportation, prevalent payment methods vary greatly. In North America, business travelers report using personally-held, company credit cards (65%) and personal credit cards (49%) more often than others. Conversely, both options are much less popular in Latin America (43% and 28%, respectively), where single-use, virtual accounts are more common than anywhere else (9%, compared to 3%). Again, those who internally-process expense reports without a third-party software use personal cards to pay for ground transportation services (56%) more often than Travel Managers overall (42%), especially those who internally-process expense reports using a third-party software (39%). Travel Managers working at companies with a national scope are three times more likely than others to book ground transportation using a single-use, virtual account (10%, compared to 3%).

How must expenses be reported?

Three in five Travel Managers (59%) work for companies requiring their business travelers to report expenditures in itemized lists by type, meaning room service would be totaled and reported, dry cleaning would be totaled and reported, etc. Roughly one-quarter (27%) only need to report one total sum per transaction. For example, instead of listing out room service, dry cleaning, etc., coding the total of all relevant expenses as “hotel ancillary costs” is sufficient for their reporting purposes. Only one in ten (10%) Travel Managers must report itemized expenses by individual item. In this case, a “Room service” charge would be itemized as coffee, omelet, juice, etc.

Reporting expenditures as itemized costs by type is most popular in North America (72%), while providing one total sum per transaction is more popular in Asia-Pacific (39%) and Europe (36%), particularly in the Nordic countries (52%),



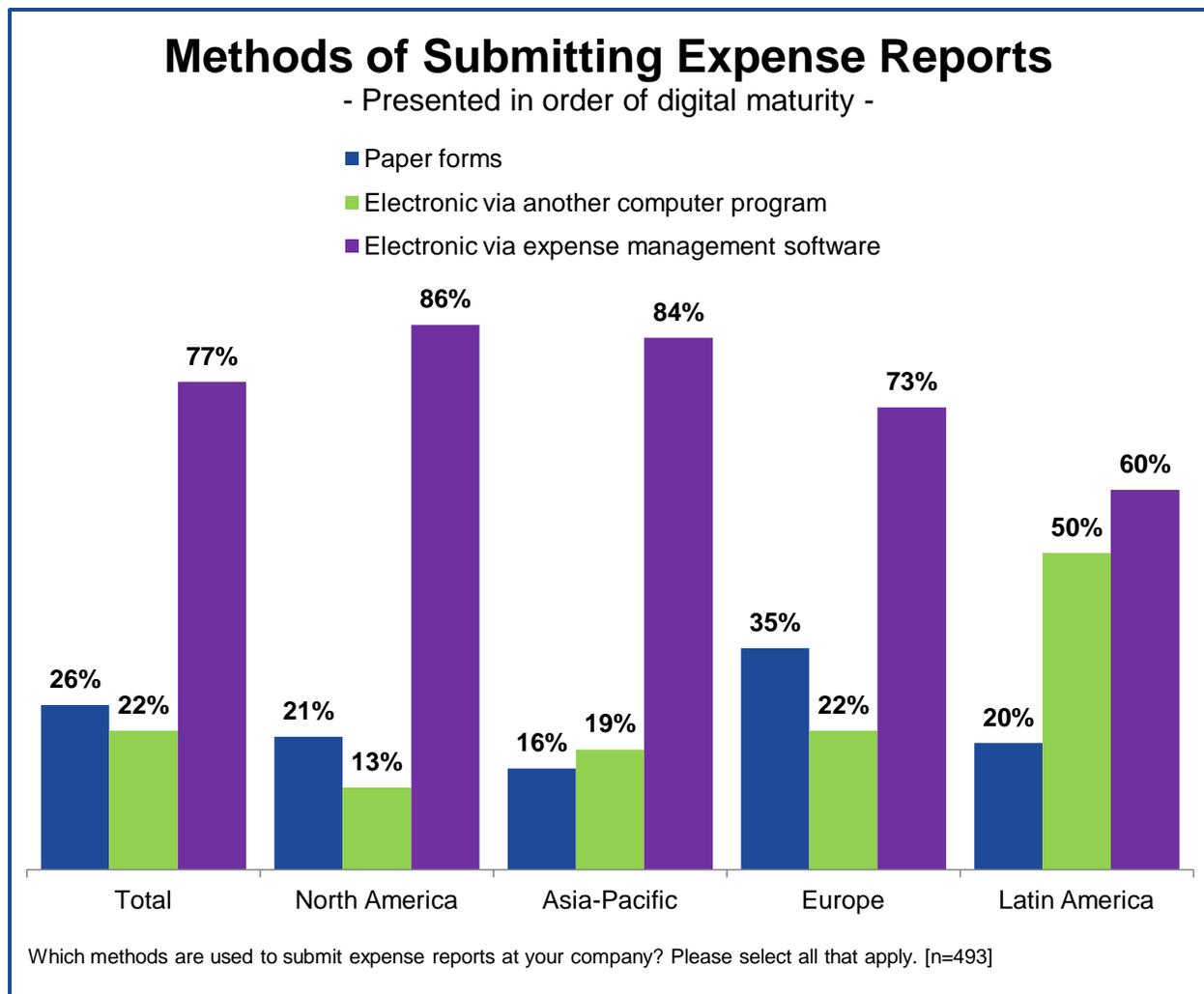
compared to Travel Managers worldwide.

Through what methods are expense reports submitted?

Overall, three-quarters of Travel Managers (77%) state that expense reports are submitted electronically using an expense management software, one-quarter use paper forms (26%), and one in five submit reports electronically using another type of computer program (22%), like Microsoft Excel. Those who do not currently use any form of electronic submission overwhelmingly agree that having this capability would improve their processes (88%).

Travel Managers in North America (86%) and Asia-Pacific (84%) most often use an expense reporting software, while Latin American Travel Managers report using such software at a much lower rate (60%). Instead, they are much more likely to use another computer program to submit their expense reports (50%, compared to 22% of the total). Alternatively, Travel Managers in Europe (35%), led mostly by Germany (45%), are most likely to submit paper expense reports.

Companies that internally process expense reports without third-party software are roughly twice as likely to use a non-expense management software computer program (57%) or paper forms (50%), compared to Travel Managers overall (22% and 26%, respectively). Perhaps unsurprisingly, those at large companies with annual spends of about €20 million or more submit their expense reports via an



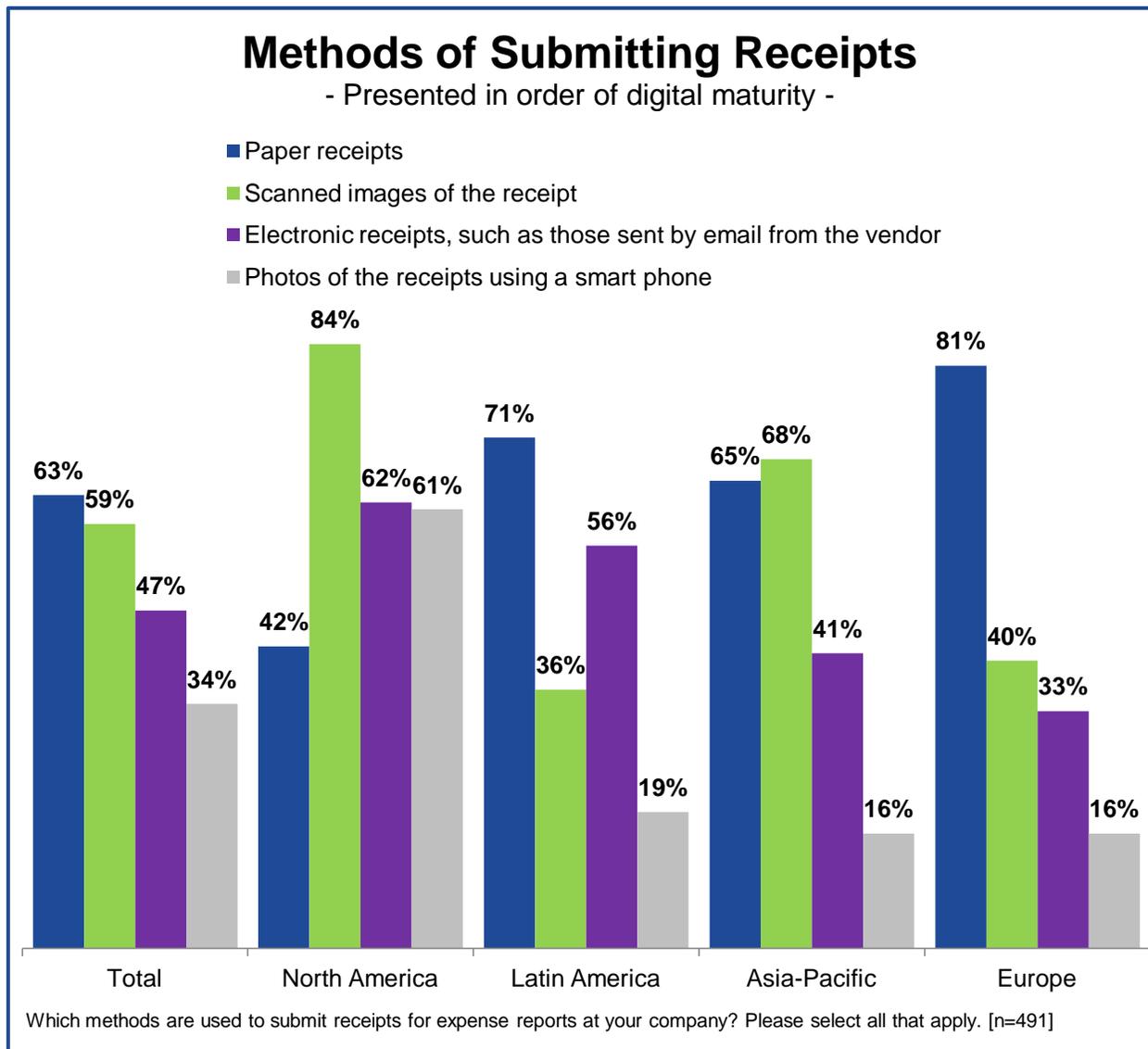
expense management software (86% and 91%, respectively) more often than smaller companies with smaller spends (67% and 66%, respectively).

How can receipts be submitted?

Unlike expense reports which, for the most part, have moved into the digital age, submitting paper receipts remains the most popular method (63%), particularly in Europe (81%) and Latin America (71%). The exception is North America, where majorities of Travel Managers report submitting receipts via scanned images (84%), electronically (62%), and using their smart phone (61%).

Again, companies with small spends (less than about €5 million) are more likely to require receipts to be submitted in paper form (69%) while majorities of those at companies with larger spends (about €20 million or more) utilize each of the electronic options (74% scanned image, 55% electronic receipts, 52% smart phone).

Four out of five (79%) of those who currently cannot submit receipts via scanned or photo image feel



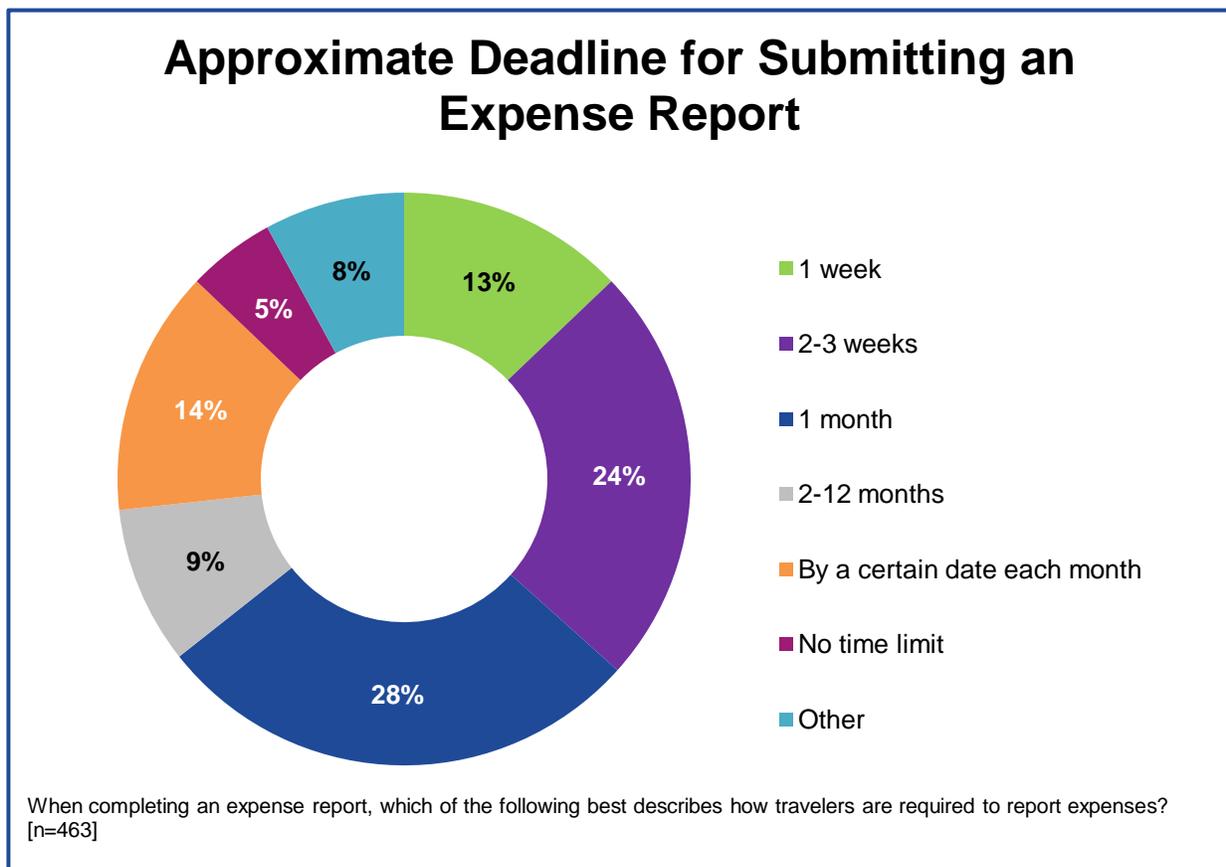
allowing this would improve the expense reporting process at their company. However, in some countries, a paper trail is required for financial or regulatory compliance, so moving to electronic submissions may not be an option at the company level until the federal government updates their requirements.

When are expense reports typically due?

The deadline for submitting expense reports varies greatly across companies. A majority of Travel Managers (52%) say travelers must submit their expense reports within 2-4 weeks after their trip's completion, 13% within one week, and 14% by a fixed date each month, regardless of when the trip takes place.

In South America, travelers are most often required to submit their expense reports within one week of travel (29%), while one month is most common in North America (33%). Excluding Germany and the Nordic countries – both of which are more likely to submit their expense reports within 2-12 months after travel (18%, respectively), the rest of Europe is significantly more likely than any other country or region to be required to submit their reports by the same day each month (23%).

Smaller companies (1-999 employees) are more likely to require expense reports to be submitted within 2-3 weeks of travel, compared to medium (22%, 1,000-9,999 employees) and large companies (20%, 10,000+ employees).



EXPENSE REPORTING PAIN POINTS

The expense reporting process is different at each company. The programs used to collect the data, the methods of submitting receipts, the number of approvals needed, the departments required to sign off, the timeline the reports must be compiled and submitted, and the swiftness of receiving reimbursements all vary greatly across companies and across the globe. However different the process, even the most refined expense reporting system has its own share of pain points.

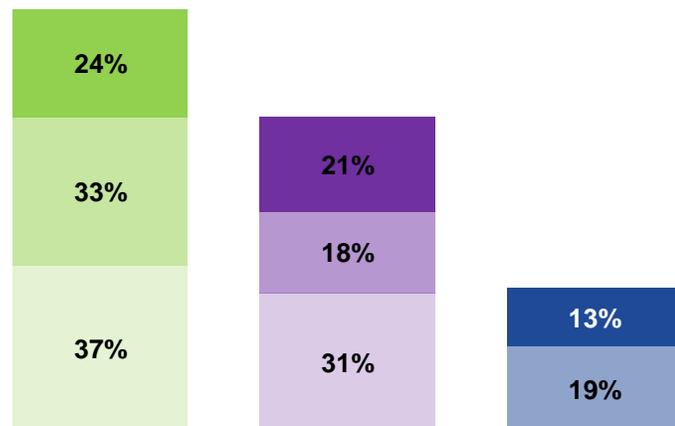
Pain points: Preparing an expense report for submission

Looking at every step in the typical travel expense reporting process, Travel Managers identified the beginning steps – setting up the expense report (24%), entering the data (33%), and attaching receipts (37%) – as the most troublesome.⁷ Unsurprisingly, half of Travel Managers at companies internally processing expense reports without third-party software find setting up expense reports (49%), entering the data (54%), and attaching receipts (55%) as a major pain point. Meanwhile, majorities of those outsourcing the expense reporting process or using third-party software say these areas need no improvement. Travel Managers in South America, more so than any other region, report problems setting up the expense report (33%) and attaching receipts (50%).

Expense Reporting Processes in Need of Improvement

% saying "1" or "2" with "1" being a process that needs a lot of improving at your company"

- Setting up the expense report
- Entering the data into the expense report
- Attaching receipts or images of receipts to the expense report
- Approval of the submitted expense report
- Sending the expense report through the accounting department to process
- Checking expense reports for errors and/or missing data
- Payout of reimbursements
- Archiving paid expense report data



Below is a list of typical steps in the travel expense reporting process. Please rate the steps on a scale of 1-5 with "1" being a process that needs a lot of improving at your company and "5" being a process needing no improvement. [n=348-396]

⁷ Travel Managers rating this process as a "1" or a "2" with "1" being a process that needs a lot of improving at your company."

Pain points: Processing the expense report

For Travel Managers, shepherding the expense report through the proper channels for approval and processing is not as big an obstacle as compiling and submitting the report, but this phase in the life cycle of an expense report actually presents the greatest challenge to companies' time and money. At nine out of ten companies across the world, processing expense reports lies at the feet of finance and accounting departments (93%), although travel management departments in half of Latin America (53%) and Germany (47%), and almost one-third (29%) of human resource departments in Europe, also claim this process.

Expense Reporting At a Glance

€53

Average cost of processing an expense report for a single night hotel stay

20

Average minutes to complete each report

19%

Average percent of reports with errors

18

Average minutes to correct an expense report

€48

Approximate cost to correct one expense report

Using your best estimation and considering personnel hours, resources, etc., how much does it cost your company to process an expense report for a single night stay in a hotel? [n=402]

On average, how many minutes do you think it takes a typical employee to complete a typical expense report? [n=468]

If you had to guess, what percentage of your company's submitted expense reports contain errors (e.g.: incorrect amounts, incorrect vendor details, incorrect codes, insufficient documentation, etc.)? [n=400]

On average, how many minutes would you say it takes to correct an expense report with errors? [n=402]

While roughly one in five find getting approval for the expense report (21%) and sending it through the accounting department (18%) processes in need of improvement, almost one-third (31%) say checking the report for errors and/or missing data is a problem. As a region, Latin America struggles more with each of these steps than other regions (37%, 30%, and 42% respectively). Despite half of Travel Managers reporting that only one person deals with each step of the expense reporting process — preparing and submitting (56%), approving (55%), processing (50%), and issuing reimbursements (57%) — the resources spent correcting expense report information is tremendous.

Companies process an average of approximately 51,000 expense reports each year, with companies spending about €20 million or more processing around 64,000 expense reports annually. On average, it takes an employee 20 minutes to complete a typical expense report, however, if there is any error, including missing or incorrect information, it takes almost as long — 18 minutes — to correct. Considering all resources used, it costs a company an average of €53 to process one expense report for a single night stay in a hotel and an average of €48 to correct the expense report if it was submitted with an error. With roughly 19% of expense reports containing errors, companies are spending thousands of hours and hundreds of thousands of Euros fixing mistakes in submitted expense reports each year.

Additionally, companies with large annual spends or with large numbers of employees spend significantly more to process a single expense report than smaller companies with smaller spends. However, companies with smaller annual spends take longer to correct expense reports with errors (an average of 25 minutes), costing more money to correct than to originally complete the expense report (€58 compared to €51). The same is true for large companies, which spend an average of 22 minutes and €98 fixing expense reports with errors.

	Annual company spend			Company size (in employees)		
	Less than about €M	About €M to less than €20M	About €20M or more	1-999	1,000-9,999	10,000 or more
Average cost of processing an expense report for a single night hotel stay	€51	€29	€89	€46	€34	€89
Average minutes to complete each report	22	22	20	23	20	20
Average minutes it takes to correct an expense report	25	15	16	15	18	22
Approximate cost to correct one expense report	€58	€20	€72	€30	€30	€98
Average percent of reports with errors	21%	18%	20%	22%	19%	19%

There are staggering differences in time and money lost between companies internally processing expense reports with and without a third-party software and those who outsource expense reporting entirely. Companies choosing to outsource their expense reporting process entirely are saving considerable time and money, compared to the average. However, the expense of outsourcing this process was not explored in this research and certainly needs to be considered when assessing the holistic cost of outsourcing.

	Expense reporting practices		
	Internally with third-party software	Internally without third-party software	Outsourced
Average cost of processing an expense report for a single night hotel stay	€57	€53	€26
Average minutes to complete each report	19	23	20
Average minutes it takes to correct an expense report	17	21	15
Approximate cost to correct one expense report	€51	€49	€19
Average percent of reports with errors	19%	22%	-- ⁸

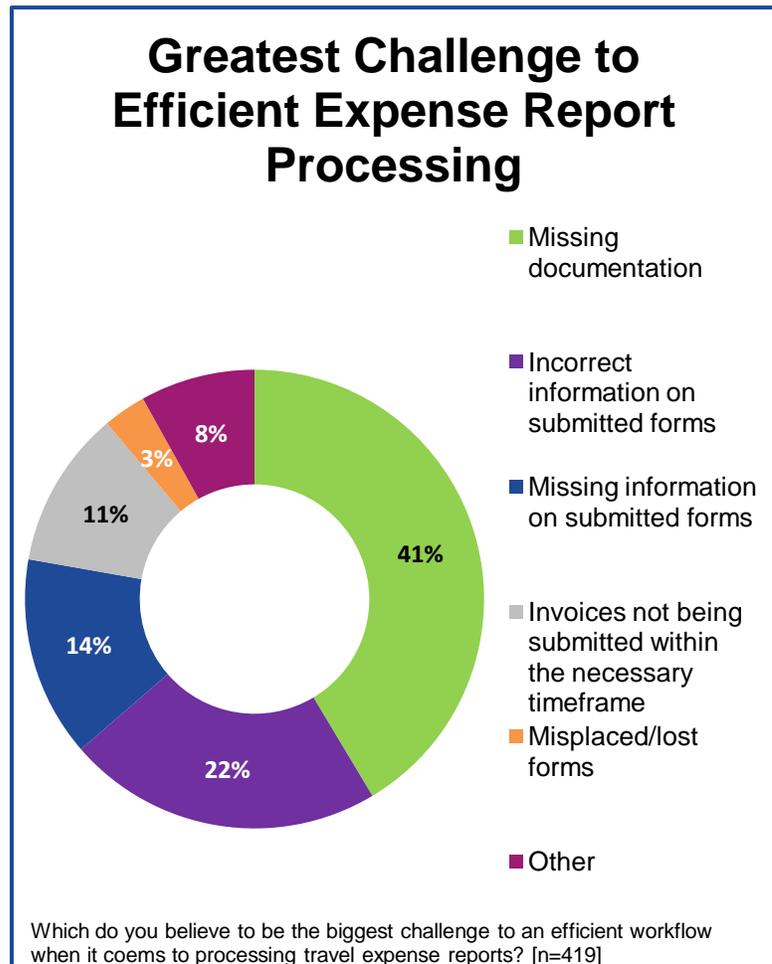
⁸ Sample size is too small to project these findings onto the greater population of Travel Managers who work for companies that outsource their expense reporting, therefore, the figure has been omitted.

Pain points: Missing and incorrect information

Given that more than three-quarters (78%) of Travel Managers cite missing or incorrect information on expense reports as the greatest challenge to an efficient expense reporting process, this presents a huge opportunity for companies to plug a time and money drain.

Based on the time and money savings alone, again, not factoring in the expense, outsourcing the expense reporting process seems to be the obvious solution. However, when Travel Managers were asked which method they feel is the best to manage expense reporting, proportions shifted negligibly to outsourcing and internally-processing with the help of third-party software remained the strong favorite (69%).

Of those few (9%) who prefer to outsource, four out of five feel it would reduce costs (82%) and free up time for other accounting tasks (82%). A majority also feel it would reduce invoice error (65%) and almost half of Travel Managers feel it would increase the speed of reimbursements (47%).



Pain points: Reimbursements and archiving data

Travel Managers across the globe are much less concerned with paying out reimbursements (13%) and archiving paid expense report data (19%) than they are preparing or processing an expense report. Again, Latin America finds these areas more challenging than other regions (29% and 29%, respectively).

Once an expense report has been submitted, it takes an average of 8.5 days for a reimbursement to be issued, though reimbursements at companies outsourcing expense reporting entirely take an average of 10 days. Unsurprisingly, three-quarters (75%) of business travelers around the globe say receiving reimbursements for expenses in a timely manner is important to them.⁹

⁹ Data extracted from research conducted to form the *GBTA Business Traveler Sentiment Index™ Global Report - July 2015*, in partnership with American Express.

CONCLUSIONS AND RECOMMENDATIONS

While expense reporting is a necessary part of business travel, it does not have to cost companies the extraordinary amounts of time and money many dedicated to it. At a rate of €48 per corrected expense report, approximately half a million Euros and almost 3,000 hours are spent each year correcting erroneous expense reports, addressing this issue will improve efficiency, thereby saving money, time, and resources.

Holistic approach – going beyond direct costs: Companies should take a more holistic approach to closing gaps in their expense reporting process. Just because Travel Managers are less concerned about paying out reimbursements and archiving expense report data does not mean these steps in the process are not pain points and resource drains for those involved. As company leaders internally review expense reporting practices, all departments and personnel should be included to evaluate their current or potential role in the process.

Company leadership looking to close spending gaps and increase savings should look beyond traditional methods and direct costs, particularly when it comes to the role of the travel manager. While searching and securing low rates will continue to play a vital part in any company's annual travel spend, looking beyond this to include less obvious cost-saving measures would likely serve many companies well. With the average large company (10,000 or more employees) spending €89 to process and €98 to correct each expense report, working to bring this cost down would likely have a much greater impact on a company's overall travel-related spend than a travel manager focusing on reducing the direct cost of a flight or hotel booking by a few Euros, not to mention free up other resources currently bogged down in expense report-related processes.

Detailed expense reports bring transparency into travel spend: Requiring expenses to be itemized when reported as opposed to in one total sum or even by type (meal, dry cleaning, etc.) will likely bring greater transparency to the expense reporting process and, thereby, plug one potential money drain. First, travelers will probably be more aware of spending if they know they later need to account for each individual transaction. Second, without such itemization, travel managers are unable to see traveler spending habits, which is useful information when trying to negotiate rates and contracts. For example, if business travelers repeatedly are paying for Wi-Fi and this is recorded on the itemized expense report, travel managers can review this and begin to negotiate free Wi-Fi into hotel agreements. Without this transparency, tools useful to business travel may continue to be expensed as ancillary costs when money could be saved by incorporating such expenses into negotiated rates.

Missing and incorrect data - Tackling the main challenge of expense reports: Across the globe, adoption of expense management software is strong. Given that roughly one-quarter of companies allow use of paper forms (26%) or another presumably less sophisticated computer program (22%), migrating to exclusive use of expense management software may greatly reduce processing time and the prevalence of missing or incorrect information, which currently constitutes more than three-quarters (78%) of main expense reporting challenges. Allowing receipts to be submitted electronically, either by scanned image or by photo with a smart phone, may also help reduce errors — and thus, costs.

However, even those companies utilizing expense management software spend significant amounts of time correcting expense reports. Companies should use expense reporting software that does not allow reports to be submitted with missing or incomplete information. Automated error detection will likely go a long way to reduce the necessity and resources spent correcting expense reports.

Removing travelers from the payment equation: Traveler-held payment methods, like a company or personal credit card, are the most common form of booking and paying for hotels and car services. If these payments were made using CTAs or single-use, virtual accounts, the need for an expense report to be completed and processed would likely disappear. If more companies utilizes payment systems that remove the traveler altogether, the fewer expense reports will be processed, and the more time and money can be saved or reallocated.

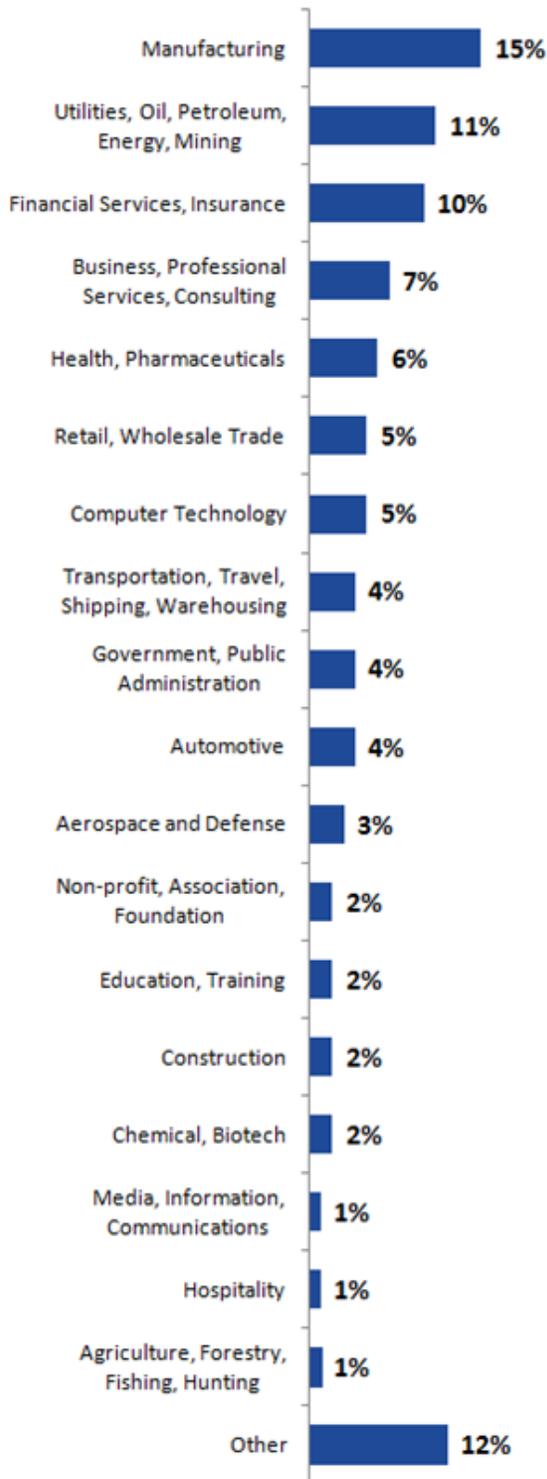
Freeing resources by outsourcing: When looking from a purely resource-saving perspective, outsourcing the expense reporting process entirely makes good business sense. However, costs and satisfaction with such services was outside the scope of this research and likely serve as important factors that should be fully explored when considering such a change.

Current adoption rates of outsourcing expense reporting are very low — four percent — and fewer than one in ten Travel Managers would choose to outsource if given the option (9%). Therefore, further research is needed to investigate why outsourcing expense reporting is not more prevalent. Is awareness of the option and its benefits too low? Are people informed and actively not choosing to outsource expense reporting? If so, why not?

Undoubtedly, expense reporting has come a long way in a relatively short amount of time. However, with the rapid introduction of new financial products into the business travel industry, the expense reporting market continues to change at a break-neck pace. What worked for a company five years ago may no longer be the best practice. Companies should continually evaluate their existing practices and business needs to ensure they are working as efficiently and cost-consciously as possible.

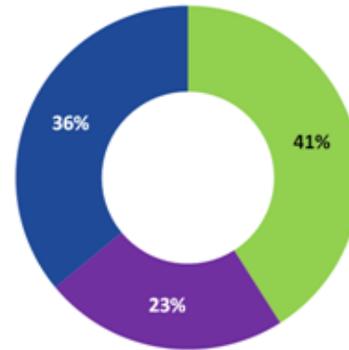
DEMOGRAPHICS

Company Industry



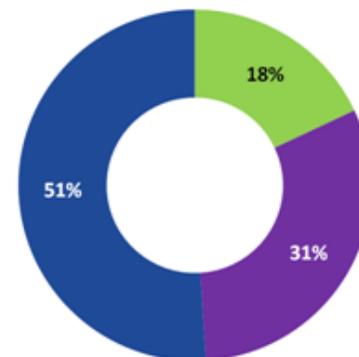
Annual Company Spend

■ Less than \$5M
 ■ \$5M to less than \$20M
 ■ \$20M or more



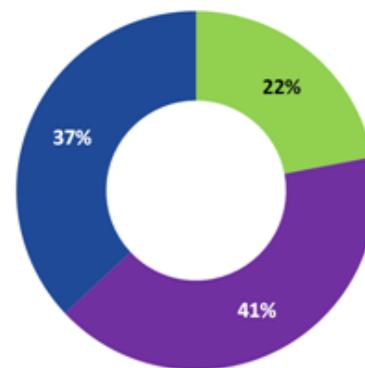
Company Reach

■ National
 ■ Multi-national
 ■ Global



Company Size

■ 1-999
 ■ 1,000-9,999
 ■ 10,000 or more



ABOUT THE GBTA FOUNDATION



The GBTA Foundation is the education and research arm of the Global Business Travel Association (GBTA), the world's premier business travel and corporate meetings organization. Collectively, GBTA's 5,000-plus members manage over \$340 billion of global business travel and meetings expenditures annually. GBTA provides its network of 21,000 business and government travel and meetings managers, as well as travel service providers, with networking events, news, education & professional development, research, and advocacy. The foundation was established in 1997 to support GBTA's members and the industry as a whole. As the leading education and research foundation in the business travel industry, the GBTA Foundation seeks to fund initiatives to advance the business travel profession. The GBTA Foundation is a 501(c)(3) nonprofit organization. For more information, see gbta.org and gbta.org/foundation.

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ABOUT HRS



HRS is a global hotel solutions provider and offers its more than 40,000 corporate customers worldwide a variety of tools and services free of charge, which cover the whole value chain for the entire hotel booking process – from hotel procurement, over booking transactions and innovative payment solutions to the transmission of relevant data for the analysis of accommodation expenses. HRS individually looks after its customers and develops tailored solutions that allow expense savings, increase employee satisfaction and facilitate travel management. Intelligent end-to-end solutions for conference and group bookings complete the offered services for companies.

With more than 290,000 hotels in 190 countries, HRS offers a big selection of hotels worldwide. These include, among hundreds of hotel chains, also roughly 170,000 privately held hotels. HRS is the only provider with access to all major global distribution systems (GDS) and with 5 million rooms available in the GDS, the largest provider of independent hotel content in the world. Hundreds of Hotel Sales Managers in more than 50 countries contribute with their knowledge of the local market to a high availability of the hotels and an ideal customer service. Furthermore, corporate customers benefit from the HRS Business Tariff which is available in 40,000 hotels and offers up to 30 per cent discount off the daily online hotel price. The choice of hotels is facilitated by detailed hotel descriptions, meaningful photos and videos as well as about five million guest reviews. With more than 1,500 employees worldwide, the company based in Cologne, Germany, maintains branches in Nuremberg, Berlin, Innsbruck, Vienna, Zurich, New York, London, Paris, Rome, Milan, Barcelona, Istanbul, Warsaw, Prague, Budapest, Moscow, Hong Kong, Beijing, Shanghai, Singapore, Tokyo, Mumbai and São Paulo.