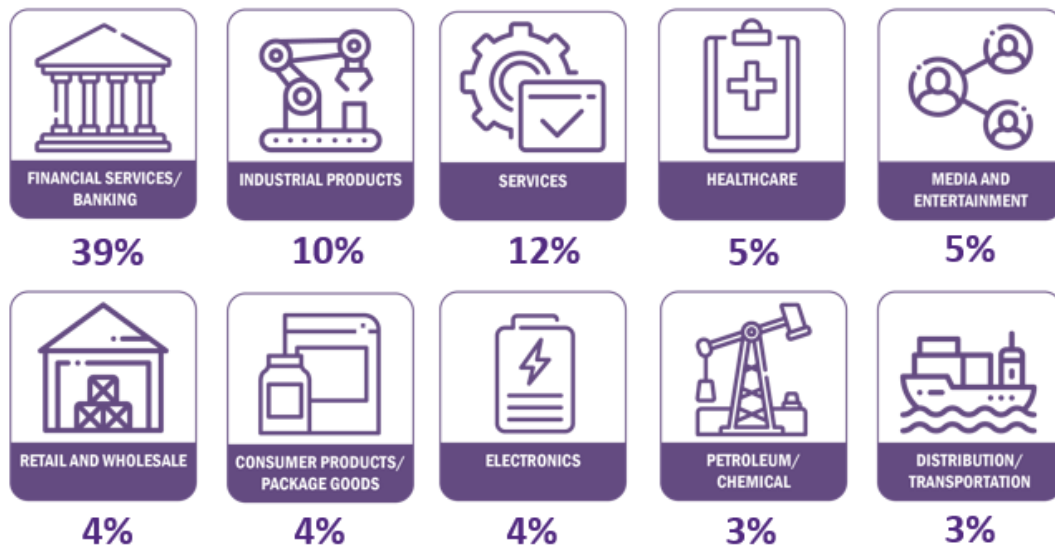




## TRAVEL AND ENTERTAINMENT: THE HOW, THE WHY, THE ROI

In the Spring through Summer of 2021, APQC partnered with Ernie Humphrey, CTP (CEO, Treasury Webinars) to carry out the [T&E: The How, the Why, the ROI](#) survey. The purpose of the survey was to understand best practices and new developments for travel and entertainment (T&E) in the next normal, especially since the beginning of COVID-19. The survey had 233 valid respondents who are predominantly T&E process owners or involved in the T&E process in their organizations. Respondents represent a broad range of industries, including financial services/banking, industrial products, services, healthcare, and more (Figure 1). In terms of organizational size, 45 percent of respondents reported over a billion dollars in annual revenues, and 65 percent reported having more than a thousand employees.

### Top Participating Industries



*Other industries also included: Government/Military, Utility, Non-Profit, Pharmaceutical, Telecom, Automotive, Agriculture, Aerospace, Insurance, Rental, Waste Management/Environmental*

Figure 1

This whitepaper summarizes the survey's key findings in areas including:

- » the ROI of T&E spend;
- » the impact of COVID on T&E spend and management;
- » the 'what' and the 'how' of T&E expense management;
- » strategies for controlling T&E spend; and
- » T&E technology and leading practices.

With business travel beginning to resume and the addition of new T&E spend categories, there's never been a better time to invest in optimizing the T&E process. The findings, leading practices, examples, and guidance in this white paper will be relevant regardless of your organization's T&E maturity.

## T&E Expense Management: The Why and the ROI

Nearly a fifth of organizations (18 percent) do not measure the ROI of T&E spend in any way. These organizations do themselves a disservice. Tracking the ROI of T&E spend gives organizations deeper insight—not only into what is spent, but also how effective spending is and where it might make sense to bolster investments. Along with findings related to the ROI of T&E spend, this section provides details about common cost categories and how organizations seek to measure the ROI of T&E.

### MEASURING THE ROI OF T&E SPEND

Fewer than half of respondents (43 percent) report that they quantitatively measure the ROI of T&E spend, while another 39 percent assess ROI qualitatively. For respondents who do not track the ROI of T&E spend in any way, the top reasons why were the fact that the organization sees no value in doing so (55 percent of respondents) and that they do not have the data to track the ROI of T&E spend (32 percent).

**Does your company attempt to measure the quantitative ROI for your T&E spend?**

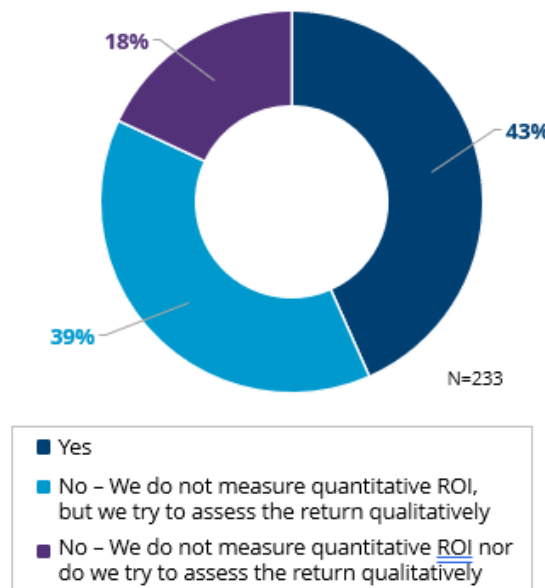


Figure 2

Humphrey noted a connection between the size of an organization and the likelihood of tracking the quantitative ROI of T&E spend: “The percentage of respondents that track quantitative ROI aligns almost exactly with larger organizations” (i.e., the 45 percent of respondents with over \$1 billion in annual revenue). While these organizations are more likely to track the quantitative ROI of T&E spend, Humphrey recommends organizations of all sizes do so in order to benchmark against other organizations and track trends over time.

## ROI CATEGORIES AND BUSINESS CASE REQUIREMENTS

For organizations that do quantitatively track the ROI of T&E spend, more than half (60 percent) measure the ROI of conferences or trade shows, and about two out of five track customer meetings and college tuition or other professional development activities (Figure 3).

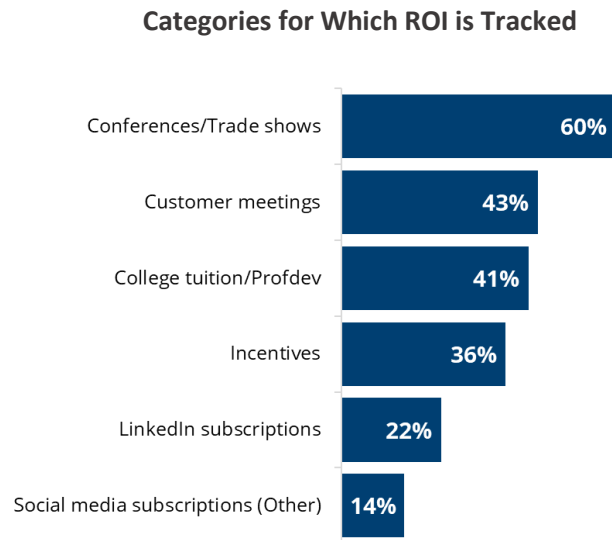


Figure 3

### Business Case Requirements

Many organizations are getting more conservative when it comes to T&E spend. Almost two-thirds of respondents (65 percent) report that their organizations require employees to provide a formal business case in advance for T&E above a certain dollar threshold. Humphrey said this is more likely to be the case in larger organizations: “If you’re at a company with over a thousand employees or over a billion dollars in revenue, you’d better be ready to make the business case for travel.”

### ESTIMATED ROI OF T&E SPEND

Almost all survey respondents that quantitatively measure the ROI of T&E spend report a positive return in each spend category shown in Figure 4. Respondents report the highest ROI from their spending on incentives, followed by customer meetings and college tuition or other professional development activities. Humphrey said these findings were encouraging—and surprising. “Going into the study I would have expected that the data would show that we should be spending less. A lot of research and webinars on T&E urge us to mitigate spend, but this data suggests we should be spending more.” So long as it is consistent with an organization’s strategy and goals, T&E spend in these categories is a good investment.

What is the estimated ROI for every \$1 spent in the following categories your company tracks?

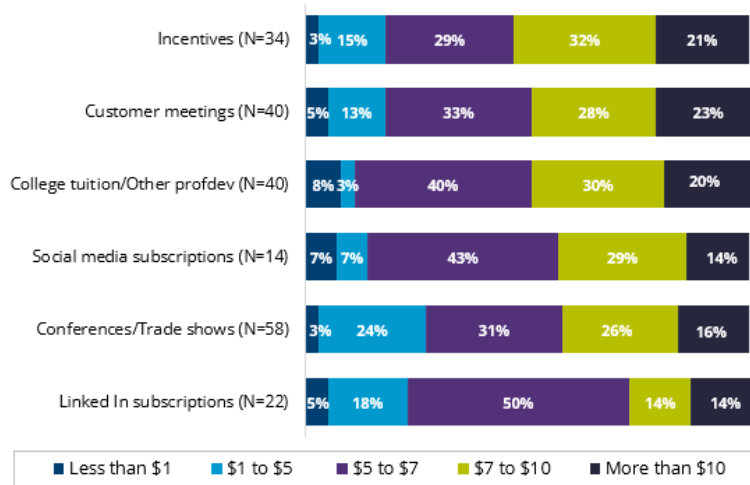


Figure 4

## The Impact of COVID on T&E Spend and Management

COVID-19 had a significant impact on traditional T&E expenses like airfare, hotels, and car rentals. While organizations continue to track spend in these areas, many have also added new spend categories that reflect a shift to remote work (for example, collaborative software subscriptions and virtual conferences).

### ANTICIPATED T&E BUDGET AND BUSINESS TRAVEL

Recognizing that COVID-19 brought most nonessential business travel to a standstill in 2020, APQC asked respondents when they anticipate that their organization’s T&E budget would return to pre-pandemic levels. More than half of survey respondents (61 percent) reported that they do not expect this to happen until 2022, and 27 percent say that it will take two to three years or longer if it happens at all.

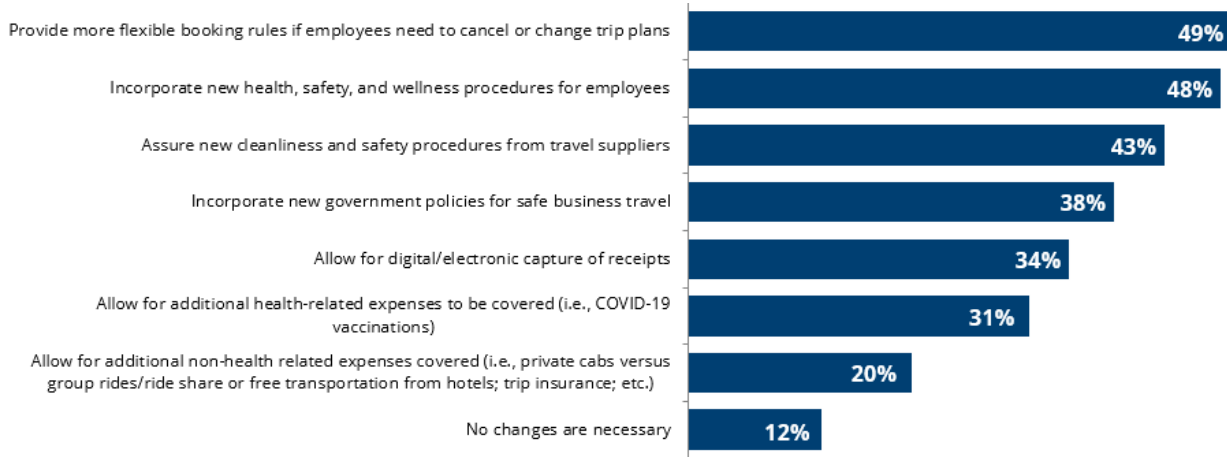
Many employees aren’t quite ready for travel either: Relatively few respondents (15 percent) say employees would be comfortable traveling by air for a business trip currently. However, more than 75 percent say they anticipate that employees will be comfortable with travel again by the end of 2021. “This is something you’re going to have to be thinking about,” Humphrey said. “You have to have the resources available to let people know what’s happening in real time, whether you follow guidance from the CDC, states, or local governments.” This real-time information can help employees feel better prepared for travel.

### Revision of T&E Policy

APQC also asked respondents to identify changes to T&E policy that would help travelers feel more comfortable with business travel. It makes sense to see that the top responses include more flexible booking rules; new health, safety, and wellness procedures for employees; and new cleanliness and safety procedures from travel suppliers. Relatively few respondents feel that no change to the policy is necessary (Figure 5).



**How does your organization need to revise its T&E policy to make your organization and travelers comfortable as a result of COVID-19?**



N=199

Figure 5

**CHANGES IN T&E SPEND OVER THE PAST YEAR**

Given the impact of COVID on business travel, it makes sense to see that the biggest decreases in T&E spend included costs related to mileage, parking, and tolls; customer meetings; and live conferences and tradeshow. (Note: survey respondents were not presented with options for airfare or hotel because it was assumed that these types of expenses would have greatly decreased over the past year).

**How has your company’s T&E spend changed over the past year as a result of COVID? (Percentage that reported “Decreased” or “Decreased Dramatically”).**

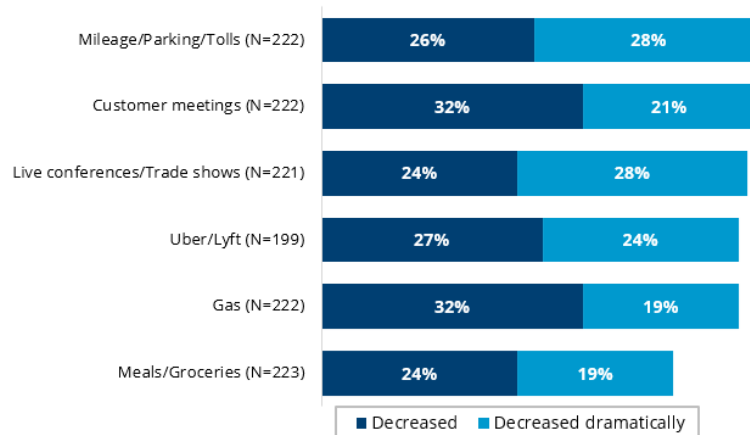


Figure 6

Humphrey said that organizations should be thinking more deeply about their spend for customer meetings. While spending decreased in 2020 due to lockdowns and other restrictions, customer meetings also produced an ROI of five dollars or more for 82 percent of respondents.

“Spending on customer meetings went way down, but given the ROI it might make sense for many companies to spend even more than they did in a world before COVID took hold. That being said, there has to be a balance. If you’re having a customer meeting, do you really need that meeting? Do you need to travel for it? How often do you need to meet to align expectations?” Questions like these can help organizations decide how best to balance spend with ROI.

While COVID-19 put the brakes on travel in many ways, organizations also saw T&E spend increase in some areas. Given the importance of virtual collaboration and remote work in 2020, it’s not surprising that a majority of respondents reported increases in spending for collaborative software subscriptions (82 percent of respondents) as well as virtual events or webinars (81 percent). Spending on cell phones also increased for a majority of respondents (54 percent).

## CATEGORIES OF T&E SPEND TRACKED

About a third of respondents (32 percent) reported that they have been tracking new T&E expense categories as a result of COVID-19, such as expenses related to more employees working remotely (cell phones, office equipment, etc.), travel-related expenses such as change fees and first-class travel costs, as well as employee health- and safety-related expenses (testing, PPE, etc.). Despite the addition of these new categories, hotel, airfare, and car rental remain the most popular categories of T&E spend tracked by organizations (Figure 7).

Which of the following categories of T&E spend does your company current track?

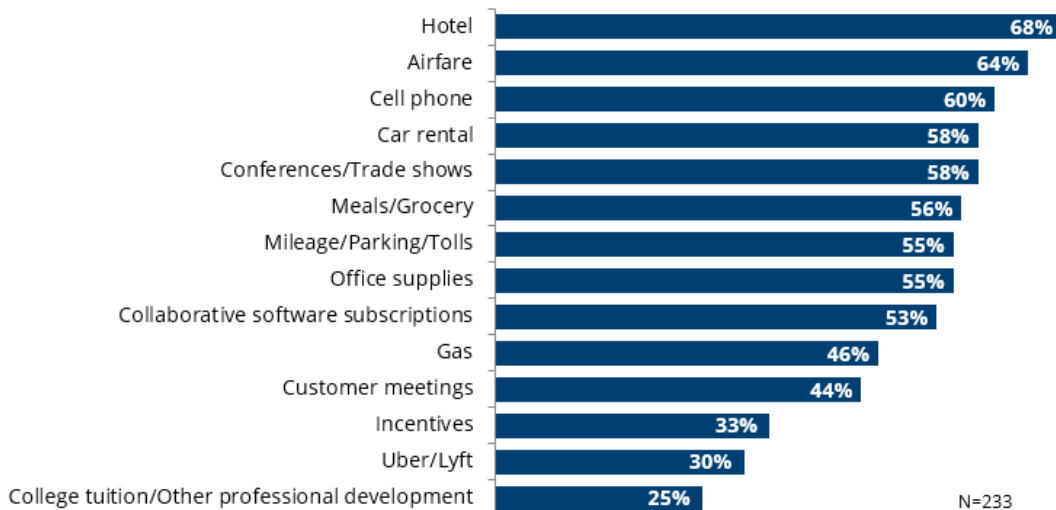


Figure 7

## Establishing Category Maximums

Ideally, organizations should leverage multiple techniques for establishing category maximums. The most popular technique identified by survey respondents is the annual budgeting process (55 percent of respondents), while another 43 percent set category maximums based on an analysis of historical spending trends. A higher percentage of large organizations leverage

historical spending analysis, benchmarking, and desk/market research to set category maximums relative to smaller organizations.

## **T&E Expense Management: The What and the How**

A majority of organizations represented in the survey (62 percent) spend 10 dollars or less to process expense reports, and 63 percent of organizations are able to reimburse their employees within two weeks. However, there is always room for improvement. Even modest reductions in cycle times or process costs can lead to significant savings given the typical volume of expense reports that many organizations process.

### **EXPENSE REIMBURSEMENT PROCESSING VOLUME**

APQC asked respondents to identify the volume of T&E expense reports processed in a 'normal' (i.e., non-pandemic) year. More than a third of respondents (36 percent) process between 1,000 and 10,000 expense reports per year, while about another third (31 percent) process between 10,001 and 25,000 expense reports per year. Relatively few respondents (10 percent) process more than 50,000 expense reports per year.

### **CYCLE TIME TO CREATE/SUBMIT**

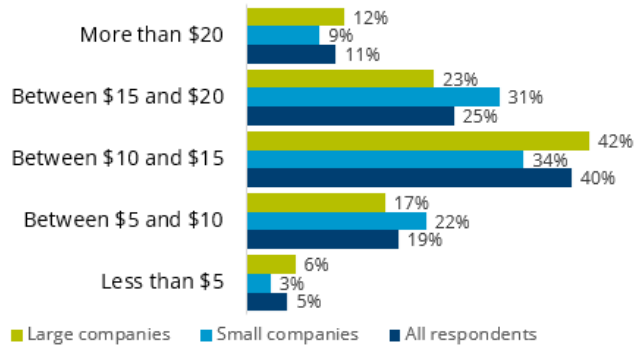
Respondents are split on the estimated average cycle time it takes to create and submit an expense report that does not involve international travel. More than a third (37 percent) report cycle times between 10 and 15 minutes, while another third report cycle times of less than 10 minutes. The remaining 30 percent of respondents report cycle times greater than 15 minutes. Ensuring that employees understand T&E policy and providing mobile options for submission can both help decrease cycle times for this measure.

### **ESTIMATED COST TO PROCESS AN EXPENSE REPORT**

The total cost to process an expense report includes the cost of personnel, systems, outsourcing, overhead, and other costs allocated to the process. Two out of every five respondents estimate that the total process cost per expense report is somewhere between 10 and 15 dollars, while about 10 percent report spending more than 20 dollars per expense report (Figure 8). Many organizations are missing an opportunity to benchmark their performance on this key T&E measure: nearly half (44 percent) say they do not track the cost to process an expense report at all.



### Estimated Cost to Process an Expense Report



N=118

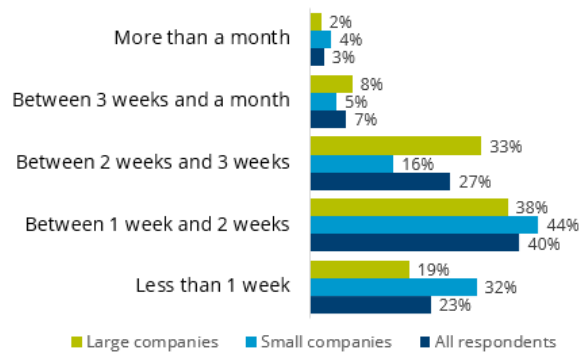
Figure 8

Organizations should think holistically about their costs for the process and endeavor to drive them lower. For example, Humphrey said one area where organizations should focus is the cycle time to create and submit reports. “If you have a sales team, look at how much time they’re spending to put the reports together. How much time do they spend on the phone with their manager or with the person processing the report?” An organization that processes 10,000 expense reports per year could save more than 800 labor hours simply by reducing the time it takes to create a report by five minutes. “A lot of times the business case really makes itself,” Humphrey said.

### CYCLE TIME TO REIMBURSE

Forty percent of survey respondents indicate that employees are reimbursed within one to two weeks after submitting their expense report, while nearly a quarter report that they reimburse employees in less than one week (Figure 9).

#### How long (in calendar days) does it typically take your organization to reimburse a traveler once he/she submits a report?



N=233

Figure 9

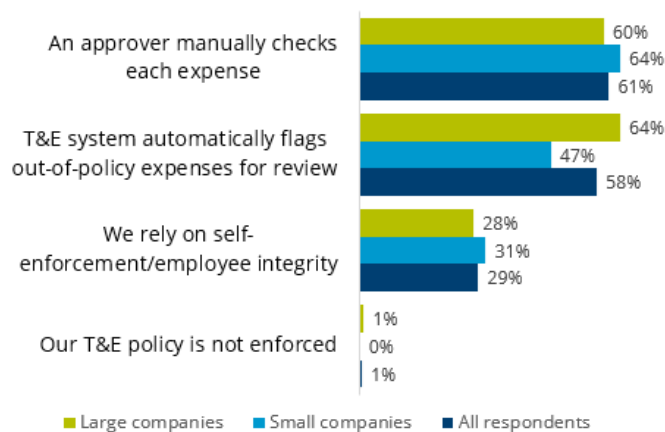
## Reimbursement Methods

More than half of respondents (56 percent) say that employees receive reimbursement via ACH or direct deposit. However, 27 percent are still using paper checks for reimbursement. Like any highly manual process or activity, paper check reimbursements often introduce additional costs, inefficiencies, and potentially longer cycle times into the process.

## Controlling T&E Spend

A formal T&E policy sets the foundation for effective expense management and control of T&E spend. Fortunately, a large majority of respondents (85 percent) say that they have a formal policy in place. However, many organizations have room to improve the methods through which they enforce T&E policy. For example, a majority of respondents (61 percent) report that an approver manually checks each expense for compliance with policy (Figure 10). Humphrey said this asks a lot of an organization's management: "You're asking every manager to approve each expense and understand the category limits in each category." Manual approval for each expense is much less efficient (and much more error prone) than using solutions that can automatically flag out-of-policy expenses (used by 58 percent of respondents).

### How does your organization enforce your T&E policy?



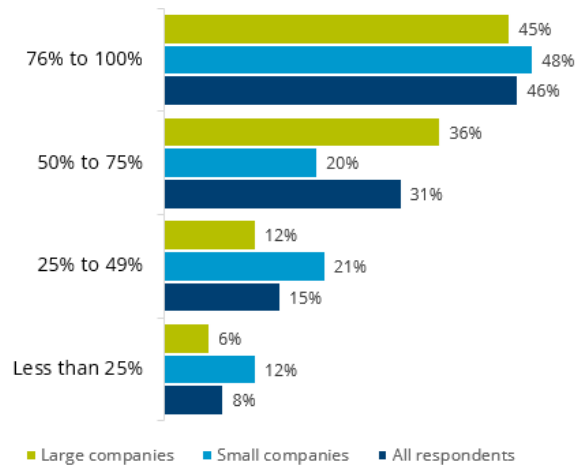
N=199

Figure 10

## POLICY UNDERSTANDING AND REVIEW

Most respondents (90 percent) agree that their employees understand the organization's T&E policy. However, almost half of respondents (46 percent) report that there is no formal policy review with employees. Instead, they rely on managers to conduct policy review with direct reports on an ad hoc basis. Failure to educate employees relative to T&E policy and the need for enforcement can lead to T&E-related fraud and inefficient spending. For example, fewer than half of respondents (46 percent) report that 76 to 100 percent of T&E spend is compliant with policy (Figure 11). T&E spend that is not compliant with policy may be sent back to the employee for additional approval, information, or documentation—which adds additional time and thus cost to the process.

## What estimated percentage of your company's T&E spend complies with T&E policy?



N=191

Figure 11

Humphrey said that a formal review with employees is one effective method for ensuring adherence to policy. “Employee education is a low-cost way to enforce T&E policy. People need to know that you’re watching T&E expenses and know what the consequences are for noncompliance.” Ideally, this review should happen annually or even more frequently in the midst of disruptive scenarios like a pandemic.

The challenges that organizations face in achieving 100 percent compliance also underscore the importance of regular T&E policy review. For example, “travelers do not understand the policy” is the third most common challenge for achieving full compliance with policy (15 percent of respondents). Respondents identified other challenges that can easily be mitigated with policy training or education. For example, 10 percent of respondents say a challenge to compliance is

### **Elements of a Strong T&E Policy**

An effective T&E policy will be clear, detailed, enforceable, and reasonably easy for employees to follow. It should specify the requirements for reimbursement approval, auditing, fraud monitoring, risk management, disputes, and security and health risk monitoring for travelers. More specifically, the policy should detail:

- » roles and accountability, including who authorizes reimbursements and enforces the policy,
- » spending thresholds requiring pre-approval,
- » how to book travel,
- » how to make purchases (e.g., a corporate card),
- » expense report specifications (e.g., values requiring a receipt), and
- » processes for exceptions and disputes.

The details of the policy should be easy for employees to access and understand and should be well-communicated through training to employees and their managers.

the fact that travelers do not know a T&E policy even exists (10 percent of respondents), while eight percent say that approvers do not understand the policy.

## MANAGING T&E AND AP IN SILOS

More than half of survey respondents (55 percent) report that their organizations manage T&E and accounts payable (AP) in separate silos. In order for organizations to get better control of overall business spend, Humphrey said that organizations should consider an overall spend management approach and analytics for both areas together. “Think of T&E as internal accounts payable and AP as external accounts payable. They’re not exactly the same, but there are natural synergies there. How are we leveraging technology? How are we enforcing policies? How are we setting categories and category limits? Organizations can and should harmonize best practices across both of these areas.”

APQC found that integration between T&E and AP can drive better cycle times for key T&E measures. For example, APQC found that survey respondents with a higher level of integration between AP and T&E were significantly more likely to report lower costs to process an expense report as well as faster cycle times for reimbursing travelers relative to organizations that manage these areas in silos.

APQC also found a statistically significant relationship between the level of integration and the estimated percentage of spend that complies with T&E policy (Figure 12). Organizations with at least some level of integration between AP and T&E were much more likely to report that their level of compliance is greater than 75 percent, while those that manage both areas in silos were much more likely to report less than 75 percent compliance with T&E policy.

**Relationship between level of integration between AP and T&E and estimated percentage of T&E spend that complies with the T&E policy**

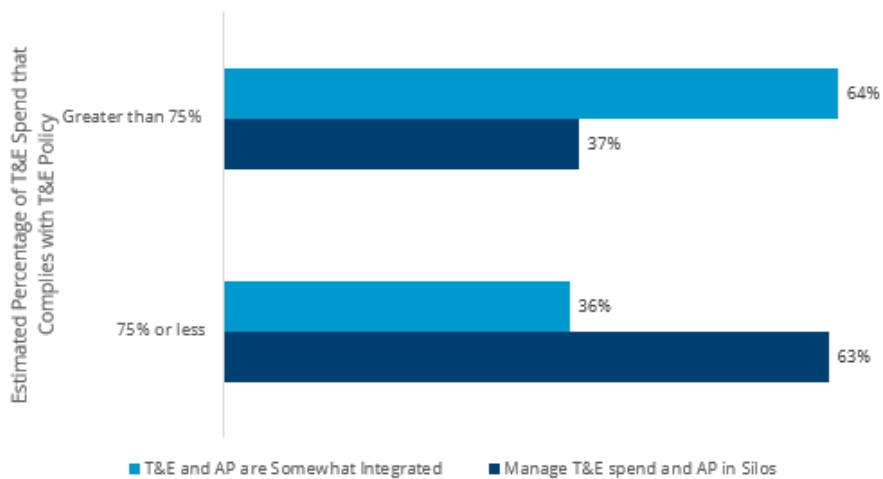


Figure 12

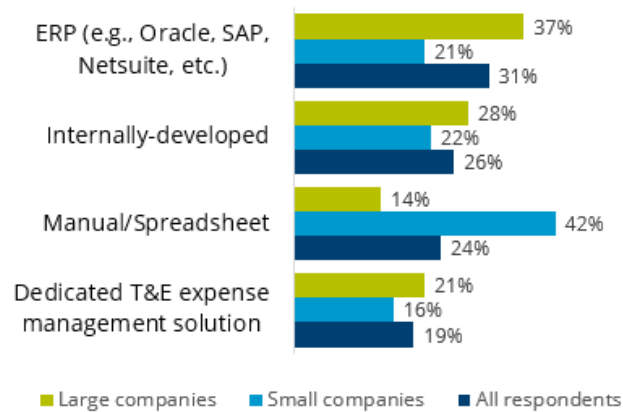
## T&E Technology and Leading Practices

This section reviews the most common T&E technologies and the benefits of using a dedicated T&E solution for managing the process. While less than 20 percent of organizations leverage a dedicated system for T&E, these systems can help directly embed leading practices into the T&E process.

### T&E TECHNOLOGY

About a third of respondents (31 percent) report that they leverage their ERP to manage T&E, while 19 percent leverage a dedicated T&E expense management solution (Figure 13). Smaller organizations are much more likely than large organizations to use manual spreadsheets to manage T&E, which can increase the risk of errors and add time to the process.

What primary system does your company currently leverage to manage T&E?



N=233

Figure 13

### Benefits of a Dedicated T&E System

Organizations that invest in a dedicated system for T&E tend to realize a positive ROI within a year or less, with only 27 percent of respondents reporting that it took longer. Organizations see benefits that include simplified expense reporting, improved approval processes, better compliance, and more timely reports from employees (Figure 14). In some cases (for example, providing a system that better serves mobile/global travelers), the actual benefits realized were even greater than expected.

**What are the top three reasons your organization chose to invest in a dedicated T&E expense management solution? What are the top three benefits your organization realized after investing in a dedicated T&E expense management solution?**

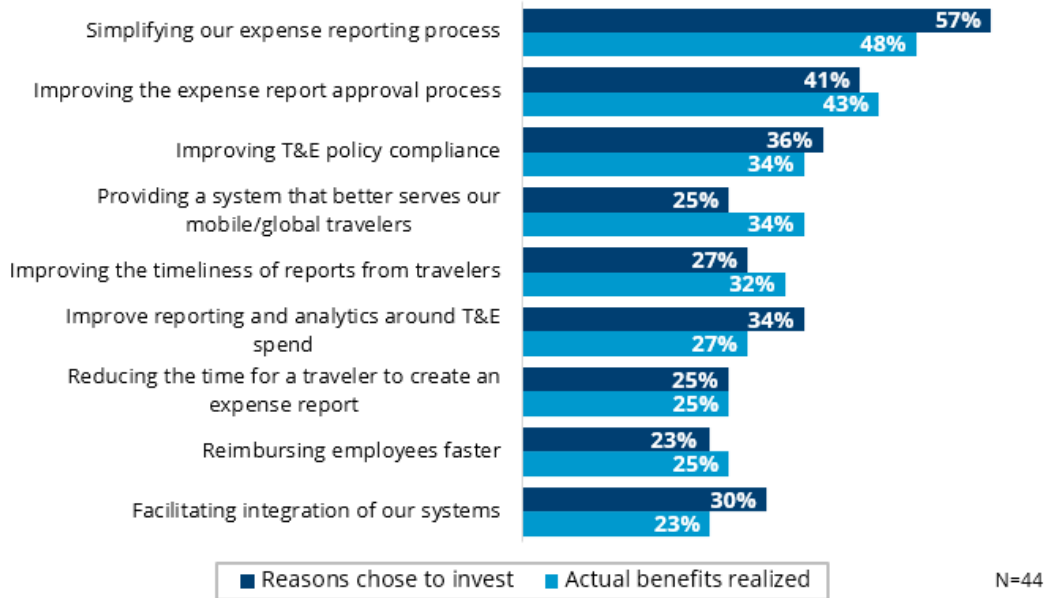


Figure 14

APQC also found that organizations using a dedicated T&E solution are more likely to have higher compliance with T&E policy. For example, 60 percent of respondents that leverage a dedicated system have greater than 75 percent compliance with T&E policy, while only 46 percent of organizations that use manual spreadsheets have achieved this level of compliance.

## T&E LEADING PRACTICES

Broadly speaking, organizations are doing a good job implementing many leading practices associated with T&E (Figure 15). Giving travelers the ability to enter expenses on their phone while travelling helps to make reports easier to submit, while the use of analytics can help reduce fraud and identify improvement opportunities. Organizations have the most room to improve when it comes to the use of machine learning and AI for T&E. These technologies can help identify fraud, enhance decision making, and reduce the amount of manual work involved with the T&E process. Humphrey said that leading T&E expense management solutions have these leading practices embedded already, which is another great reason for adopting a dedicated T&E system.



### Please rate the extent of implementation at your organization

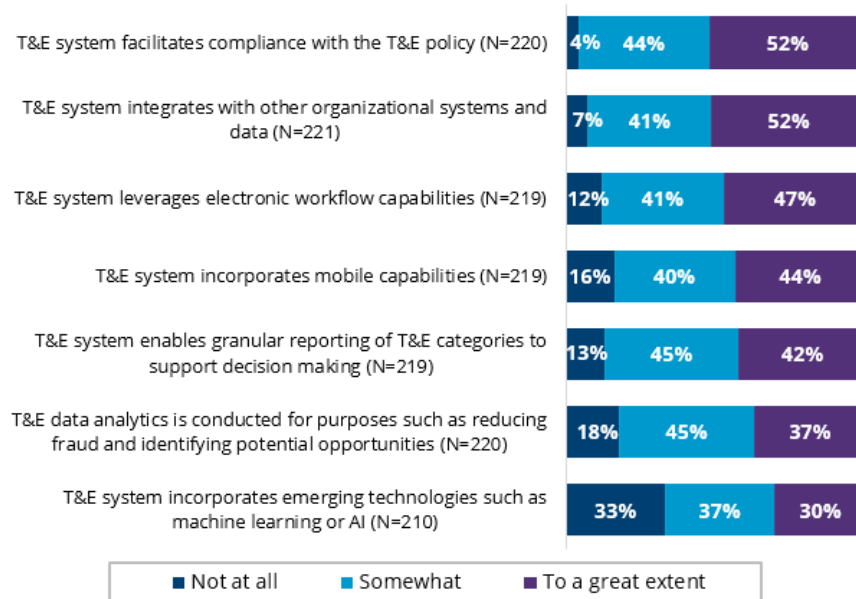


Figure 15

### Driving T&E Success with Technology at Arthur J. Gallagher & Co.

Insurance organization [Arthur J. Gallagher & Co.](#) uses four core solutions for its T&E process:

1. **A travel booking solution** with mobile capabilities. The company's T&E policy is embedded into the booking solution, so employees get instantaneous feedback if their requests are outside policy.
2. **A payment solution** that automatically feeds expenses into the organization's expense tool to facilitate faster expense reporting.
3. **An expense tool** with built in caps on certain types of expenses to ensure compliance with policy.
4. **An expense auditing solution** with embedded automation and AI that proactively stops payments for transactions that fall outside of policy.

These tools not only support full compliance with T&E policy, but also provide Gallagher with deeper insights that help the organization make better decisions about its T&E spend .

## Conclusion and Key Takeaways

Business travel took a big hit in 2020, but this does not mean that organizations stopped spending on T&E. Instead, the shift to remote work meant that many organizations added new categories like collaborative software and professional development activities. T&E spend drives a positive ROI in these areas as well as in more traditional T&E spend categories like customer meetings.

To realize the benefits of T&E expense management done right, organizations must first know where they stand and equip themselves with the right resources. Even amid a constantly shifting business environment, the foundations of effective T&E expense management remain the same—benchmarking, process management, and dedicated technology continue to provide effective approaches for arriving at deeper insight into T&E spend. Organizations that leverage these approaches and embed leading practices into the process see greater compliance with T&E policy. More fundamentally, these organizations see lower cycle times and lower costs for the process itself, which frees up time and other resources for more value-added T&E investments.

### KEY TAKEAWAYS

- » Survey respondents report the highest ROI from their T&E spend on incentives, followed by customer meetings, college tuition, and employee professional development programs.
- » More than half of respondents reported they will not return to their pre-pandemic T&E spend levels until next year, if ever.
- » More than three-quarters of respondents believe that their business travelers will be comfortable with air travel by the end of this year.
- » During the pandemic, more than 80 percent of respondents reported increasing investment in collaborative software subscriptions as well as virtual events or webinars.
- » Almost half of respondents have incorporated new health and wellness procedures as well as more flexible bookings into their T&E policies as a result of the pandemic, and more than two out of five have included assurance of new cleanliness and safety procedures from travel suppliers.
- » Companies saved a substantial amount of money over the past year in T&E spend, most notably for customer meetings, transportation-related expenses, conferences and trade shows, and meals and grocery.
- » Many organizations are missing an opportunity to identify improvement opportunities for T&E. For example, 44 percent of respondents indicate that they do not track the cost to process an expense report.

- » Organizations that manage AP and T&E together (rather than in silos) show higher levels of compliance with T&E policy.
- » Dedicated T&E systems can help to boost compliance with policy, provide deeper insights about T&E spend, and embed leading practices into the process.

## **ABOUT APQC**

APQC helps organizations work smarter, faster, and with greater confidence. It is the world's foremost authority in benchmarking, best practices, process and performance improvement, and knowledge management. APQC's unique structure as a member-based nonprofit makes it a differentiator in the marketplace. APQC partners with more than 500 member organizations worldwide in all industries. With more than 40 years of experience, APQC remains the world's leader in transforming organizations. Visit us at <https://www.apqc.org/>, and learn how you can make best practices your practices.