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SAP Concur + Oversight
2021 Spend Insights Report

A better understanding of 2021 for a better view of 2022.

THE BEST RUN SAP

It’s time to turn the resilience of the last 12-24 months into something more than “powering through.” It is, instead, time to push forward – to reinvent how challenges are tackled, how change is approached, and how work gets done.

Doing so demands that we reconsider the status quo and reevaluate our commitment to getting better. To get ahead, we all must be focused on continuous improvement – always trying to move faster and more efficiently to yield better results and always working to identify where to innovate and how to improve.

Doing *that* requires us to examine our spending decisions – looking back and how, where, and who in your company spent money and exploring the moments those decisions were made. Was it a moment of connection – not just buying a plane ticket, but seeing a client face-to-face? Was it a moment of growth – not merely a stack of invoices, but an expansion into a new market?

These spending decisions – these moments that move your business forward – are simultaneously moments of opportunity and moments of risk. And to actively improve how you make those decisions in the future, you need to look to the past, to make sure your policies and processes still fit, so you can remove the barriers that hold your budgets back. Let’s take a look.

2021 **Findings**

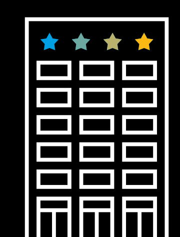
1.

In-year spending went up because business got moving.

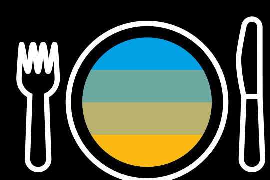
Yes, spending was down last year over the year before, from **$10.3MM in 2020 to $7.5MM in 2021**. This doesn't come as a surprise to anyone – 2020 was fueled by a massive, pre-pandemic first quarter **representing 58% of the year's spend,** and 2021 was, well, you remember.

What is exciting, however, is how much spend increased throughout 2021 – **50% from Q1 to Q4** – even as variants and protocols continued to shift. As 2021 progressed, air travel ramped up considerably, driving the bulk of the growth in travel and expense (T&E) spend.

Airline travel **grew 52%** from Q3 to Q4, **jumping 368% Q1 to Q4.**



Hotel spend was **up 40%** from Q3 to Q4 **and 180%** between Q1 and Q4.



Restaurant spend was **up nearly 28%** from Q3 to Q4 and **more than 130%** from Q1 to Q4**.**

When 2021 wrapped up, business was back on the road. And even as the Omicron surge impacts the first part of 2022, you can expect travel to keep growing as restrictions allow.

2.

Policy violations improved throughout the year but got worse year over year.

When you look at quarter-by-quarter analysis of spend violation rates, a few interesting trends emerge.

Total violations in dollar value were **down 9.76%.**

Yet the violation rate **increased – from 2.68% to 3.33%.**

Simply put, 2021 saw more violations per dollar than 2020.

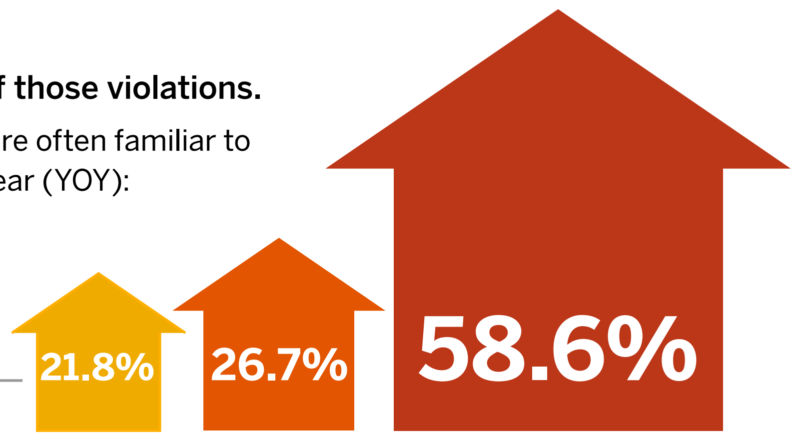
Familiar categories drove a portion of those violations.

We saw increases in violation types that are often familiar to finance leaders. For example, year over year (YOY):

Excessive Personal Expenses were up 21.8%.

Expense Header Keyword Match violations were up 26.7%.

Excessive Missing Receipts were up 58.6%



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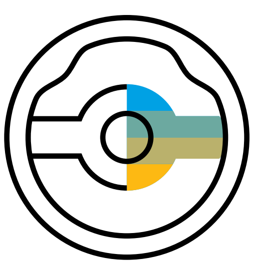
up 2,127%

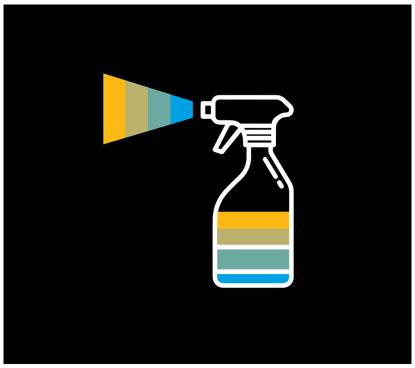


Mileage continued to be a troublesome category — especially in Q4.

Duplicate Mileage Submissions skyrocketed 2,127% from Q3 to Q4.

A few more violations concerns.

In categories with less-established processes and rising spend, violations are on the increase. A few examples:



Cleaning preparations spend (to help bring employees back to the office, companies are buying cleaning products, hand sanitizer, masks, etc.) **jumped 153%** from Q1 to Q4, 2021; the violation rate increased from 13% in Q3 to 35% in Q4 – **a 170% increase.**

Education spending **increased almost 80%** in the same time frame, and violations went up with it – **a nearly 60% increase** from Q3 2020 to Q3 2021.

Service provider spending broke the pattern, albeit slightly; spending was **down 1.4%** from Q1 to Q4, but the violation rate rose sharply in the second half of 2021, from **7% in Q2 to 11% in Q4 – a 57% increase.**

Is there any good news?

There are plenty of positives hidden in these numbers, though.
Q4 continued a downward trend in overall violation rates within the year.

Q3 violations were **down 11%** from Q2,
and Q4 was **down 23%** from Q3.

It's difficult to know precisely what's driving this improvement, but as businesses continue to focus on spending and process controls, they continue to gather more insights into employee spending and spending changes. This, in turn, helps them refine the policies and processes that improve compliance. So it's no surprise that violation rates would decline.

Additionally, fluctuating business travel and increasingly stringent travel controls drove down the typical violations seen in the years prior to 2021 – including categories like excessive event-attendee expenses, excessive daily means and mileage, premium air travel, and the like.

As we dive deeper into the numbers, the issues become more nuanced. More established, controlled categories like travel saw significant bumps in spending (as discussed above), but violation rates remained flat or even decreased.

- Airline violation rates **dropped a half a point.**
- Hotel and motel violation rates **dropped 1%.**

Again, the increased focus on travel costs is likely a driving factor, and the good work organizations have done to add pre-trip approvals, and add additional oversight to travel decisions is keeping violations in check.

Violation wrap up:

What we're seeing here is that as spending increases in traditionally controlled categories, violations remain under control. But in other, emerging categories, there is work to be done to ensure policies are being followed. Employees are pushing limits where they feel they can – spending more for a meal, for example, because overall spending is down or expensing meals even when they're working from home. They're being more bold in their expectations and what will satisfy them. There are also unheard-of supply chain issues and rising inflation rates which dramatically impact spending. These factors, among others mentioned in this paper, have led to an overall rise in violation rates as spend decreased during the pandemic.

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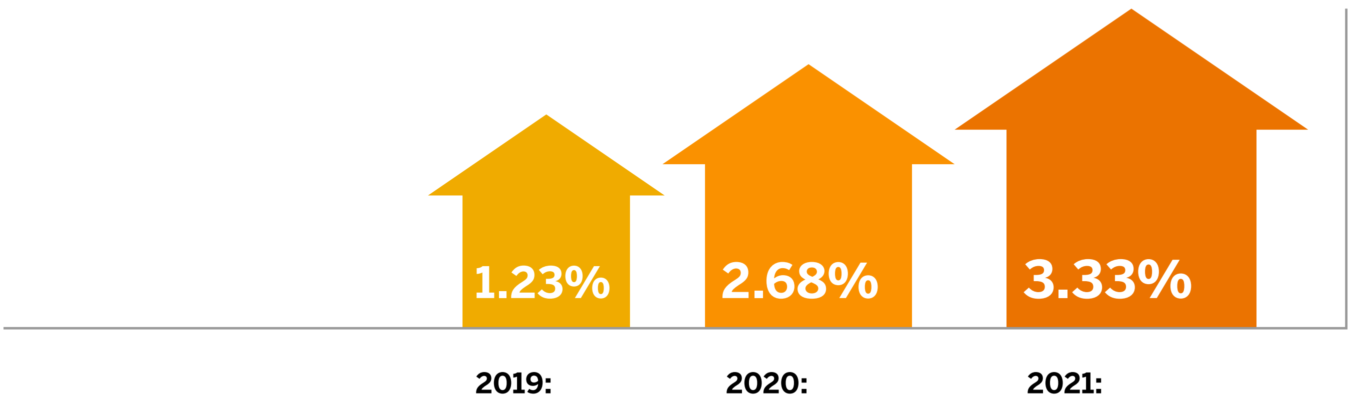
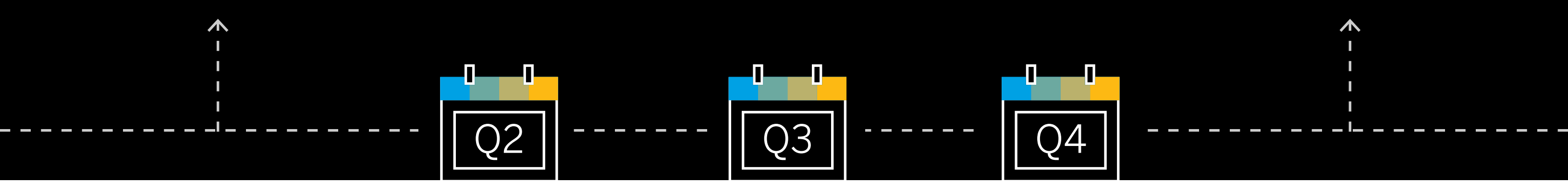


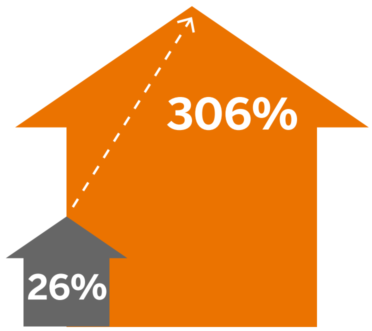
Now, as 2022 spending unfolds, watch to see what trends continue. If history is any guide, there could be a sizable jump in violation rate in the first part of the year, as Q1 of 2020 **was up 112%** from the end of 2019. The same was true in 2021 – Q1 saw an **almost 45% jump** in violation rate from the end of 2020.



3.

Exceptions increased in several key areas.

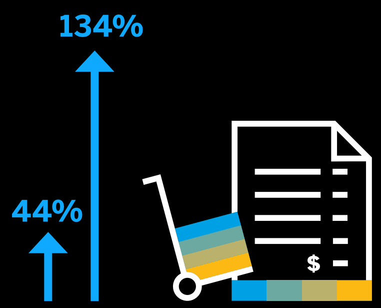
Exceptions are another interesting way to evaluate spending and understand behavior. Exceptions are flagged transactions that need to be further investigated in order to determine if they are justified and/or in policy. As spend rose throughout 2021, some concerning exceptions information revealed itself – providing cautionary tales for everyone charged with managing spend.



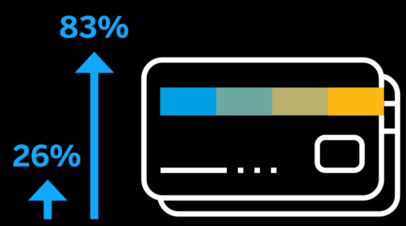
Don’t let up on validation.

There was a significant rise in the number of exceptions for Excessive Missing Receipt Affidavits – **with a 26% jump between Q3 and Q4 and a massive 306% jump from Q1-Q4.** These exceptions occur when images of receipts are required, but employees are unable to provide them. They should be infrequent, so the fact that there was an increase in confirmed violations – and such a large one at that – could indicate employees are using these affidavits too often and – potentially – doing so to prevent approvers from seeing fraudulent charges on receipts.

Similarly, Expense Receipt Validation and Purchase Card Receipt Validation exceptions also increased.

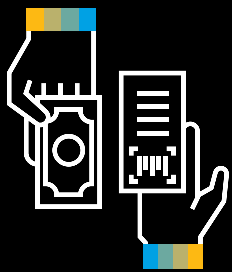


Expense exceptions went up **44%** between Q3 and Q4 and **134%** from Q1-Q4.



Purchase Card exceptions **went up 26%** between Q3 and Q4 and **83%** from Q1-Q4.

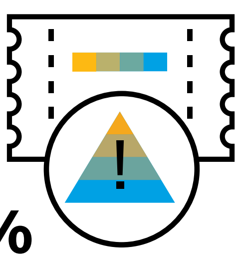
This could mean employees attached the wrong receipt – or just a picture was attached – either by accident or intentionally. But it’s also a trend nobody wants to see continue.



High Out-of-Pocket Expense exceptions also went up just **3.5% YOY,** but saw a significant **increase from Q3-Q4 of almost 70%.**

Keep out-of-pocket from getting out of control.

These exceptions show that employees are electing to not use their corporate cards for purchases and would rather receive cash reimbursements. Often, increases in Q4 can be attributed to holiday spend, such as employee gifts, but it's something to keep a close eye on.



788% increase (Q4)

Contain increases across inappropriate venues.

Finally, P-card and Travel Inappropriate Venue exceptions decreased overall YOY, but it's interesting that there was a such significant **increase in Q4, especially for Travel (788%).** These exceptions represent confirmed violations for expenses at adult entertainment venues. One can conclude that employees are either going to these venues while traveling during the holidays, or they're taking their teams to these venues for year-end celebrations. Either way, it's an issue that needs to be addressed.

What should you do in 2022?

Much good work has been done to increase visibility into and control over travel expenses in most organizations, but there's much more to do. We need to focus on policies and processes, while paying better attention to non-travel expenses. Because as expenses have risen, exceptions have gone up with them.

Without question, you should **dive into your 2021 spend data** for an in-depth, post-spend analysis to see where the problems lie, how you can improve, what you should address first, who needs training and reinforcement, and so on.

In addition to post-spend review, you'll want to look forward – at intelligent technologies like artificial intelligence (AI) and machine learning (ML) – so you can **increase the scale and efficiency of audits before reimbursement.** AI and ML will help you spot spend patterns and peculiarities even the most trained eye cannot. They help you detect spend risks, prevent cash leakage, and improve process management. And because they take tactical tasks off people's plates, these ingenious technologies help your team focus on more strategic issues. Overall, intelligent technology transforms how you audit your spend, so you can better control your spend.

What else?
Keep an eye on travel.

As we've shown in this report, travel spend is taking off again. As a result, organizations must continue to monitor travel-related spending to ensure every trip is necessary and compliant. Because travel is very different than it was just two years ago, organizations also need to watch out for new costs, such as PCR tests, quarantine fees, last-minutes bookings/cancellations, etc.

It's time, in other words, to revisit your travel polices, to update your guidelines, to re-evaluate your thresholds, and above all, to continually commit to improving.

This requires you to be adept at adapting. To keep up with swift and radical changes in both travel and travel policies, your systems, processes, and protocols have to be flexible.

The best way forward? Keep an eye on the past, keep a firm hand on travel, and trust intelligent technology to keep expenses in check.

Contact your SAP Concur or Oversight representative to better understand your 2021 spend data and deliver better T&E management and compliance throughout 2022.

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