American Express® & A.T. Kearney

European Expense Management Study 2008
Much has changed since 1982, when American Express began the practice of publishing expense management studies, and indeed since 2003, when American Express last produced a European-wide expense management study. More advanced expense management practices have emerged, fuelled by global competition and greater shareholder pressures, regulatory developments, technological change and an increased emphasis on sustainability issues.

Travel and Related Business Expense (T&E) management continues to be an area of focus for company leaders. Companies of all sizes are realising that significant resources are tied up in administrative processes linked to the management of T&E, and that streamlining these can yield considerable savings in indirect costs, as well as improved policy compliance and direct cost savings.

American Express is dedicated to providing our customers and the industry with objective and leading-edge information and insights into the dynamic field of expense management. As in 2003, we have partnered with A.T. Kearney, a leading management consulting firm, to conduct the European Expense Management Study, 2008.

A.T. Kearney has extensive experience with travel procurement studies and has ensured that a rigorous, objective and consistent approach has been followed throughout the survey and subsequent analysis.

The study not only identifies the changing trends and best practices in expense management, but also quantifies and benchmarks the associated indirect process costs of sixty-six large European companies. In total, these companies spend €85 million in processing their T&E.

The European Expense Management Study, 2008 found that the indirect costs associated with administering T&E processes are equivalent to 4.6% of total direct T&E spend (airfares, hotels etc.) down from 5.6% in 2003. This continuing downward trend is indicative of the greater sophistication and usability of today’s automated solutions, as well as adoption of alternative processing models such as shared services centres and offshoring. Companies that implement best practice can achieve reductions from 4.6% to 2.1%, equivalent to a 54% reduction of total indirect T&E spend. This represents a €26 saving on every €1,000 spent on direct costs.

On behalf of American Express, I would like to thank the participants for the time and effort they invested in taking part in the study. The contribution of these companies not only makes this study possible, but makes the European Expense Management Study, 2008 a unique document that can help companies better understand, control and reduce the indirect costs associated with their business expenses. We trust that the findings of this study serve as a valuable source of information that will help you identify opportunities for realising tangible benefits within your organisation. If you would like to learn more about these findings or are interested in improving your company’s expense management, please do not hesitate to contact the American Express Business Solutions Group (gcc.emea.consulting@aexp.com) or your American Express representative.

Yours sincerely,

Brendan Walsh
Senior Vice President
Global Commercial Card
EMEA American Express

Many companies have found that the indirect costs associated with administering T&E processes are equivalent to 4.6% of total direct T&E spend (airfares, hotels etc.) down from 5.6% in 2003. This continuing downward trend is indicative of the greater sophistication and usability of today’s automated solutions, as well as adoption of alternative processing models such as shared services centres and offshoring. Companies that implement best practice can achieve reductions from 4.6% to 2.1%, equivalent to a 54% reduction of total indirect T&E spend. This represents a €26 saving on every €1,000 spent on direct costs.

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In 2003, American Express and A.T. Kearney published the European Expense Management Study focusing on the indirect costs associated with T&E management.

Over the past five years, several developments have considerably altered this landscape:

• The increased sophistication and adoption of automated T&E management tools, leading to reduced cost, enhanced Management Information and improved usability

• A stronger emphasis on compliance monitoring and risk management in the wake of high profile corporate scandals

• The adoption of ‘alternative models’ such as shared service centres, off-shoring and outsourcing

But how meaningful are these changes and what is their impact? Are they helping companies to gain better control over their direct and indirect spend related to T&E?

To establish the current state of T&E management and assess progress over the last five years, American Express Business Solutions and A.T. Kearney have conducted a detailed quantitative and qualitative online study of T&E management practices among some of the largest companies in Europe. The study covers the role of travel policy and the four core processes comprising T&E management: Travel Arranging (planning and booking the trip); Cash Advances; Central Billing; and Expense Claims. In addition, the study takes a closer look at how companies have approached and adopted automation, as well as how they have introduced shared service centres, outsourcing and off-shoring to the way they manage T&E. Finally, the 2008 study examines how companies are beginning to incorporate components of sustainability into their approach to T&E management.

Objectives of the Study

The purpose of this study was to understand how effective companies are in managing the indirect costs associated with their T&E management and how this can be improved. This was supported by four further objectives:

• To quantify the indirect costs associated with travel and related business expense management

• To examine the market trends and define best-practices, whilst investigating how these have changed over the last five years

• To identify potential cost and time reduction opportunities through the implementation of best-practice

• To ascertain the benefits of automation
The Study Sample
The study sample was comprised of sixty six multinational and large national European-based companies, from a range of countries and industry sectors across Europe.
The countries represented are: Belgium, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland and the United Kingdom. The key industries represented include: consumer goods, energy and utilities, financial and professional services, technology and telecommunications, manufacturing and pharmaceuticals.
Together these companies annually:
• Spend over €2,600,000,000 on purchasing T&E
• Book more than 3,000,000 trips per year and process more than 3,250,000 expense claims per year

In the course of managing these activities, these companies:
• Spend nearly €85,000,000 administering their T&E
• Issue more than 180,000 cash advances per year
• Hold in excess of 270,000 corporate cards

In tackling T&E management processes:
• 52% have introduced some form of automation
• 59% employ a shared service centre model for all or some of their activities
• 45% have contracted with third party service providers through outsourcing arrangements
• 23% have ‘off-shored’ some of their T&E management activities to reduce their indirect costs

Whilst the study sample is predominantly made up of large and multinational companies, experience suggests that the key findings are applicable across all segments. The performance benchmarks and best-practice discussions are designed to facilitate a company’s assessment of its potential scope for improvement, irrespective of its size.

Following the study findings, a number of companies were identified who demonstrated best-practice behaviour across the four core processes. In-depth interviews were carried out with these companies to understand their practices in more detail, and extracts from these discussions have been used throughout the study to illustrate best-practice examples per process.

It is also worth noting that, although the total study sample includes sixty six companies, some questions were not relevant to all participants and thus the sample sizes for particular processes and components of the analysis vary. These are indicated in the relevant sections of the report.

Description of the T&E Management Process
The study is structured to mirror the four core processes that make up the T&E management process: Travel Arranging (planning and booking the trip); Cash Advances; Central Billing; and Expense Claims. Each of these core processes consists of several key activities, which are in turn comprised of a set of tasks. The activities and tasks for each of these core processes were examined in detail in the survey (see Exhibit 1: Core processes and their key activities).

Exhibit 1 Core processes and their key activities

<table>
<thead>
<tr>
<th>Travel Arranging</th>
<th>Cash Advances</th>
<th>Central Billing</th>
<th>Expense Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities performed by the traveller/travel</td>
<td>Activities performed by the traveller/travel</td>
<td>Activities performed by the accounting</td>
<td>Activities performed by the traveller/travel</td>
</tr>
<tr>
<td>arranger and manager in arranging and</td>
<td>arranger and other employees in requesting, obtaining and reconciling</td>
<td>department related to receiving, settling and</td>
<td>arranger and manager in arranging and</td>
</tr>
<tr>
<td>approving a trip</td>
<td>cash</td>
<td>reconciling centrally-received invoices</td>
<td>approving, and reconciling centrally-</td>
</tr>
<tr>
<td>• Planning the Trip</td>
<td>• Requesting the Cash</td>
<td>• Receiving authorisation</td>
<td>• Completing the Expense Report</td>
</tr>
<tr>
<td>– Planning travel times and dates</td>
<td>– Obtaining and completing forms</td>
<td>– Issuing payment to the supplier</td>
<td>– Gathering receipts</td>
</tr>
<tr>
<td>– Communicating with the travel arranger (assistant), if necessary</td>
<td>at time of travel request, if necessary</td>
<td>– Approving payment to the supplier</td>
<td>– Itemising expenses on a claim form</td>
</tr>
<tr>
<td>• Processing the Request</td>
<td>• Approving the travel request, if necessary</td>
<td>– Receiving authorisation</td>
<td>– Adding justification for expenses</td>
</tr>
<tr>
<td>– Completing a travel request, if necessary</td>
<td>• Booking the Trip</td>
<td>• Obtaining the Cash</td>
<td>– Submitting receipts and expense claim</td>
</tr>
<tr>
<td>– Approving the travel request, if necessary</td>
<td>– Contacting the travel agency or supplier via phone, fax, email or on-line booking tool</td>
<td>– Withdrawing cash from the source (Bureau de Change, Internal Cashier, ATM, etc.)</td>
<td>– Controlling and Approving the Expense Report</td>
</tr>
<tr>
<td>• Booking the Trip</td>
<td>– Booking the reservation via phone, fax, email or on-line booking tool</td>
<td>• Accounting/Reconciliation</td>
<td>– Obtaining approval to the supplier</td>
</tr>
<tr>
<td>– Contacting the travel agency or supplier via phone, fax, email or on-line booking tool</td>
<td>– Making any changes or cancellations</td>
<td>– Matching billing information to supplier invoices</td>
<td>– Issuing payment to the supplier</td>
</tr>
<tr>
<td>– Booking the reservation via phone, fax, email or on-line booking tool</td>
<td>• Planning the Trip</td>
<td>– Receiving authorisation</td>
<td>– Accounting/Reconciliation</td>
</tr>
<tr>
<td>– Making any changes or cancellations</td>
<td>• Controlling and Approving the Expense Report</td>
<td>– Issuing the Expense Report</td>
<td>– Matching billing information to supplier invoices</td>
</tr>
<tr>
<td></td>
<td>• Administrative Processing of the Expense Report</td>
<td></td>
<td>– Recording the accounting entries</td>
</tr>
<tr>
<td></td>
<td>– Posting the report into integrated finance systems</td>
<td></td>
<td>– Cross-charging centrally-billed spend, if necessary</td>
</tr>
<tr>
<td></td>
<td>– Following up with travellers</td>
<td></td>
<td>• VAT Reclaim</td>
</tr>
</tbody>
</table>

Preface
Definition of Benchmarks
For each of the processes in Exhibit 1, three performance levels have been identified: “Best performance”, “Average performance” and “Lower performance”.
- “Best performance” represents the lowest cost achieved when processing a key activity or set of activities. This benchmark is calculated based on the lowest tenth percentile in unit costs among fully automated companies.
- “Average performance” is the mean performance level of all study participants. This benchmark is calculated using the weighted average of processing costs across all levels of automation.
- “Lower performance” is the level at which a company incurs the highest processing costs. This benchmark is calculated based on the highest tenth percentile in unit costs across all study participants, regardless of level of automation.

A weighted average of the costs has been used for each type of benchmark to ensure that the calculation reflects any scale benefits that may occur with larger companies. The quantitative benchmarks are based on data gathered in the study and represent a unit cost per activity as defined in Exhibit 2.

Exhibit 2: Unit of measurement per activity

<table>
<thead>
<tr>
<th>Activity</th>
<th>Unit cost calculated per</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trip planning</td>
<td>Individual trip booking</td>
</tr>
<tr>
<td>Travel request</td>
<td>Individual travel request</td>
</tr>
<tr>
<td>Trip booking</td>
<td>Individual trip booking</td>
</tr>
<tr>
<td>Cash advance</td>
<td>Cash advance issued</td>
</tr>
<tr>
<td>Central billing</td>
<td>Centrally billed transaction</td>
</tr>
<tr>
<td>Expense claim</td>
<td>Expense claim submitted</td>
</tr>
</tbody>
</table>

Case Study - Wärtsilä
Wärtsilä Reduce Indirect T&E Costs to 40% below the European Average through Standardisation and Automation

“The multiple systems and processes being carried out at Wärtsilä across varying countries were not sustainable. Not only did the set-up require a large number of people to manage and maintain the systems, but also the processes were inefficient and costly, and service levels to employees were poor and inconsistent.”
Ann Cleveland-Oey, Head of Travel Programme, Wärtsilä

The solution was designed to maximise automation across all processes, improve service levels and reduce costs. Today Wärtsilä operates shared service centres (SSCs) in Finland, the Americas and Asia, handling central billing, expense claims handling and processing, and trip booking (with the exception of the online booking tool, which is accessed directly by the traveller).

In examining Wärtsilä’s expense claim processing, it is evident that most activities are now automated; this has led to a 40% reduction in process costs, when compared to the average company in the European Expense Management Study, 2008.

The team at Wärtsilä ensured that the design of the solution focused on user-friendliness and easy-to-use tools. User-satisfaction drove strong adoption of the new tools, which further contributed to lower indirect costs.

Chapter 1: Overview of Key Findings and Insights

One of the key objectives of the study was to identify and quantify the indirect costs of Travel & Related Business Expense (T&E) Management. The study found that, on a weighted average basis, indirect T&E management costs are equivalent to 4.6% of total direct T&E spend. In other words, for every €1,000 spent on airfares or other direct expense, a further €46 is incurred in processing costs. This figure represents 1% improvement over 5.6% in 2003, which suggests that companies have continued to improve their T&E management practices.

However, 4.6% is an average number and the variation among the participants is considerable. Indirect costs ranged from 1% to 34% of direct T&E spend which suggests that some companies still have significant improvement potential.

The indirect cost is composed of six segments (see Exhibit 3: Breakdown of T&E process costs). Expense Claim Processing and Trip Planning, the largest cost segments, are both labour intensive and time consuming, which are key drivers of the cost. I.T. costs are spread across all T&E management processes and, on average, account for 5% of indirect costs.

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Exhibit 3: Breakdown of T&E process costs

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expense claim</td>
<td>52%</td>
</tr>
<tr>
<td>Trip booking (inc. Travel request)</td>
<td>23%</td>
</tr>
<tr>
<td>Cash advances</td>
<td>2%</td>
</tr>
<tr>
<td>Central billing</td>
<td>1%</td>
</tr>
<tr>
<td>I.T. costs</td>
<td>5%</td>
</tr>
<tr>
<td>Trip planning</td>
<td>11%</td>
</tr>
</tbody>
</table>

1 Wärtsilä is a market leader in power solutions and related services. The company has 15,000 employees in more than 70 countries, generating over €3 billion in revenues from products and services.
For companies that choose to address their indirect costs, the savings can be considerable. The study shows companies that migrate from average performance to best performance can reduce costs by between 47% and 87% within an individual T&E process. Whilst the biggest percentage savings is in Central Billing (87%), the biggest saving in real terms can be achieved by tackling indirect costs in Expense Claims Processing, which represents more than half of overall process costs. Overall, a company with an indirect cost of 4.6% of total direct spend, that adopts best-practices, can reduce its indirect cost to 2.1%. This implies up to €25 saving on every €1,000 spend or a 54% reduction in indirect cost. Furthermore, best-practices can serve as enablers to manage the biggest saving in real terms can be achieved percentage saving is in Central Billing (87%), an individual T&E process. Overall, a company with an indirect cost of 4.6% of overall process costs.

So what do best-practice companies have in common and how do they achieve this status? The study identifies best-practice companies as having the following six key characteristics:

- Implement clearly defined travel policy and enforcement processes that are communicated frequently
- Collaborate with suppliers (e.g. card providers, travel agents, etc.) and leverage their capabilities to optimise processes and maximise resulting benefits
- Invest in automation and have a high adoption rate of tools and system usage
- Centralise back-office activities through a shared service centre and/or outsource their non-core activities to a third-party, achieving economies of scale and access to specialised skills
- Focus on user satisfaction as well as on cost reduction
- Leverage Management Information to continuously refine and improve their processes, optimise spend visibility, control direct spend and use as a basis for supplier negotiation

In addition to these overall characteristics, the study has enabled the development of a ‘stages of excellence’ model which encapsulates three broad stages of sophistication, describing the evolution companies pass through from basic practice to best practice. The stages are not always clear cut, but the model represents the collection of practices which are frequently observed together. Stages of excellence have been developed for Policy, together with the four core processes of T&E management: Travel Arrangements, Cash Advances, Central Billing and Expense Claims.

**Exhibit 4** Savings potential by T&E management process (per unit cost) (Sample of 66 companies)

**Exhibit 5** Stages of Excellence – T&E Management

<table>
<thead>
<tr>
<th>POLICY (Chapter 2)</th>
<th>Basic Practice</th>
<th>Average Practice</th>
<th>Best-Practice</th>
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<tbody>
<tr>
<td>Policy and practices derived at a local level</td>
<td>National/regional policies</td>
<td></td>
<td>Global policy with local addendums</td>
</tr>
<tr>
<td>No written policy; reliance on accepted practice in the organisation and verbal dissemination</td>
<td>No single policy, but several documents which might include general guidelines rather than mandated practices</td>
<td></td>
<td>Single written policy (electronic or paper) readily accessible to all employees, e.g. via intranet</td>
</tr>
<tr>
<td>Ad hoc and subjective enforcement against gross violations of accepted normal practices</td>
<td>Policy includes reference to use of preferred suppliers and negotiated rates</td>
<td></td>
<td>Mandates a single card provider</td>
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<td></td>
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<tr>
<td></td>
<td>Use of third parties (e.g. travel agent, suppliers) to aid enforcement of the policy</td>
<td></td>
<td>Tools generate real-time Management Information to allow detailed tracking of compliance</td>
</tr>
<tr>
<td></td>
<td>Compliance tracking reports may be through queries on systems or provided by third parties</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TRAVEL ARRANGEMENTS (Chapter 3)</th>
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<tbody>
<tr>
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<td>Automated approval</td>
<td></td>
<td>No pre-trip authorisation, except in defined circumstances e.g. travel to high risk countries, class upgrades, complex trips</td>
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<tr>
<td>Multiple approval levels for all trips</td>
<td>Multiple approval levels for long-haul/intercontinental travel only</td>
<td></td>
<td>Majority of bookings (particularly for simple trips) via online self-service booking tool linked to the travel agent’s fulfilment centre</td>
</tr>
<tr>
<td>Multiple travel agents</td>
<td>One travel agent only</td>
<td></td>
<td>Self-booking tool is connected directly to the travel agency to partially automate complex trip bookings, modifications and cancellations and avoid phone contact</td>
</tr>
<tr>
<td>Booking direct with suppliers (e.g. airlines and hotels)</td>
<td>High volume of telephone/email bookings with the travel agent</td>
<td></td>
<td>Phone contact may remain for any itinerary changes en route when traveller may not have access to the self-booking tool</td>
</tr>
<tr>
<td>Electronic ticketing (often with ability to print in company offices/travel agent implant)</td>
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<td>Self-service e-ticketing via online booking tool</td>
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<td>Travel agent actively ensures policy compliance</td>
<td></td>
<td>Policy ‘built-in’ to booking tools</td>
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**Case Study - Wärtsilä**

40-60% Direct Spend Savings Achieved through better Control over the Supply Base

Wärtsilä achieved significant savings on its direct spend as a result of the spend transparency provided by a single system, leading to improved supplier negotiations and consolidation. Wärtsilä has achieved 58% lower spend on air and 40% lower spend on hotels, compared to the company’s baseline at the start of the global initiative.

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**Exhibit 5** Stages of Excellence – T&E Management

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</tbody>
</table>
### Exhibit 5 Stages of Excellence – T&E Management (continued)

#### CASH ADVANCES (Chapter 4)

<table>
<thead>
<tr>
<th>Basic Practice</th>
<th>Average Practice</th>
<th>Best-Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash advances require prior approval</td>
<td>Cash advances do not require approval</td>
<td>No cash advances via the company</td>
</tr>
<tr>
<td>Issued by the internal cashier, travel agent or Bureau de Change</td>
<td>Charge advances to corporate card with cash delivered to travel agent, a central corporate location or to the traveller</td>
<td>Permit travellers to withdraw cash at an ATM using individually settled corporate cards</td>
</tr>
<tr>
<td>Permanent advances are available to many/all employees</td>
<td>Use of centrally settled corporate card may require reconciliation of unspent cash balances</td>
<td>Permanent advances are only used where security, remote location or low salary levels make them a necessity</td>
</tr>
<tr>
<td>Permanent advances offered to employees on the basis of role or function, e.g. sales force</td>
<td>Cash advances do not require approval</td>
<td>Cash advances do not require approval</td>
</tr>
<tr>
<td>Charge advances to corporate card with cash delivered to travel agent, a central corporate location or to the traveller</td>
<td>Charge advances to corporate card with cash delivered to travel agent, a central corporate location or to the traveller</td>
<td>Charge advances to corporate card with cash delivered to travel agent, a central corporate location or to the traveller</td>
</tr>
</tbody>
</table>

#### CENTRAL BILLING (Chapter 5)

<table>
<thead>
<tr>
<th>Basic Practice</th>
<th>Average Practice</th>
<th>Best-Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper bills</td>
<td>Receive central bills via electronic transmission</td>
<td>All expenses charged to corporate cards</td>
</tr>
<tr>
<td>Single transaction per invoice</td>
<td>Multiple transactions per invoice/statement</td>
<td>Corporate cards individually settled</td>
</tr>
<tr>
<td>Payment by manual means, e.g. cheque</td>
<td>Settle central bills electronically (e.g. direct debit, bank transfer)</td>
<td>Central billing only for temporary employees, very infrequent travellers, guests, etc. and consolidated onto a lodge card/business travel account</td>
</tr>
<tr>
<td>Manual input of data into financial systems</td>
<td>Integrate electronic billing files into financial/ERP systems</td>
<td>Use of electronic invoice presentment and payment (EIPP) to achieve process savings, improved control and management of working capital</td>
</tr>
<tr>
<td>Payment in full, including disputed transactions</td>
<td>Payment of approved transactions only</td>
<td>Expense reimbursement fully automated via payroll system, i.e. typically with monthly reimbursement</td>
</tr>
<tr>
<td>Invoices direct from suppliers</td>
<td>Central billing (including travel, catering, telecommunications, etc.)</td>
<td>Automatically flagged of some policy violations</td>
</tr>
<tr>
<td>Central billing even for low value transactions</td>
<td>Central billing (via lodge card/business travel account) primarily used for high value transactions, e.g. air fares</td>
<td>Spot audit procedures of 10-20% of expense claims audited</td>
</tr>
</tbody>
</table>

#### EXPENSE CLAIMS (Chapter 6)

<table>
<thead>
<tr>
<th>Basic Practice</th>
<th>Average Practice</th>
<th>Best-Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manual completion of an expense claim form, whether paper-based or electronic (e.g. spreadsheet file) which is submitted in hard copy together with receipts</td>
<td>Electronic expense claim form pre-populated with basic data, e.g. employee ID, date, etc.</td>
<td>Automated expense claim forms pre-populated with expense data, e.g. from travel booking system, corporate card and/or lodge card</td>
</tr>
<tr>
<td>Data manually entered into the financial system</td>
<td>Manual entry of all T&amp;E spend data into the system</td>
<td>Expense claim tool incorporates parameters from the HR system such as approval hierarchy, spend limits and employee cost centre</td>
</tr>
<tr>
<td>Manual approval of all claims by approving manager</td>
<td>Claim form printed off, signed and submitted in hard copy together with receipts</td>
<td>Electronic submission (only receipts are submitted in hard copy)</td>
</tr>
<tr>
<td>All expense claims and receipts are audited</td>
<td>Some degree of integration with company systems (e.g. corporate card data, general ledger, HR/payroll) but not complete</td>
<td>Receipts are scanned/bar-coded and matched to the relevant expense claim. They can be viewed online and archived digitally</td>
</tr>
<tr>
<td>Ad-hoc enforcement of policy and preferred supplier relationships</td>
<td>Approval of all claims via an automated form/message to approving manager</td>
<td>Data from the expense claim is fed directly into the general ledger</td>
</tr>
<tr>
<td>Manual expense reimbursement</td>
<td>Approval and audit levels are periodically reviewed</td>
<td>Automated flagging of some policy violations</td>
</tr>
<tr>
<td>Electronic expense claim forms pre-populated with basic data, e.g. employee ID, date, etc.</td>
<td>Approval by a manager only where exceptions/out of policy spend is flagged by system or audit team; 100% approvals for known problem travellers/claims</td>
<td>Spot audit procedures of 10-20% of expense claims; 100% audits for known problem travellers/claims</td>
</tr>
<tr>
<td>All expenses charged to corporate cards</td>
<td>Expense reimbursement fully automated via payroll system, i.e. typically with monthly reimbursement</td>
<td>Approval by a manager only where exceptions/out of policy spend is flagged by system or audit team; 100% approvals for known problem travellers/claims</td>
</tr>
<tr>
<td>Corporate cards individually settled</td>
<td>Expense reimbursement fully automated and independent of monthly payroll system</td>
<td>Approval and audit levels are periodically reviewed</td>
</tr>
<tr>
<td>Central billing only for temporary employees, very infrequent travellers, guests, etc. and consolidated onto a lodge card/business travel account</td>
<td>Expense reimbursement fully automated via payroll system, i.e. typically with monthly reimbursement</td>
<td>Expense reimbursement fully automated and independent of monthly payroll system</td>
</tr>
</tbody>
</table>
Chapter 2: Policy and Compliance

The Role and Scope of Policy

Policy is the cornerstone of control over direct and indirect T&E. The purpose of the policy is to guide employee behaviour and provide a framework for enforcement and should aim to achieve a balance among savings to the organisation, increased productivity and traveller satisfaction. There is inevitably a trade-off to be made between these elements and organisations must determine the appropriate mix to satisfy their business requirements and recognise corporate and/or national culture. An organisation’s culture is reflected in all of its operating policies and procedures and is influenced, amongst other things, by location (country), management goals, industry, economic climate and corporate history. Ultimately, this may limit the extent to which a highly mandated approach to T&E management is considered achievable or even desirable.

Best-practice companies have a single written policy (whether paper-based or electronic), which applies across the entire organisation (whether that is global, regional or national in scope) with local addendums to incorporate differences in regulation. This ensures central control, but allows modification where local conditions dictate this is necessary. A single written policy has been adopted by 88% of respondents. Without implied ranking, the main advantages of central control are as follows:

- **Strengthens the negotiation position with preferred suppliers** – full use of negotiated rates can be better monitored and encouraged. Central control also aids the consolidation of data on all spend categories across the business, thus strengthening the company’s negotiations with suppliers at a scale which will allow the maximum reduction in direct spend.

- **Supports the standardisation of processes and systems** – a single, centrally-disseminated policy means that processes and systems can be made more consistent, or at least compatible, across the business with consequent benefits in terms of achieving economies of scale, facilitating implementation and streamlining support.

Compliance Tracking and Policy Enforcement

Tracking and enforcing the use of preferred suppliers is a key area of focus for many companies. All of the companies in the study made reference to preferred supplier relationships in their T&E policy and overall, respondents state that they achieve high levels of compliance, averaging 85% across all spend categories. The highest levels of compliance are for telecoms (mainly mobile phones) and use of the corporate travel agent, whilst the lowest is for hotels, where many participants still report difficulties in controlling traveller behaviour, monitoring choice of hotel and enforcing policy. However, the extent to which compliance is enforced and the methods employed vary considerably.

In best-practice companies, tracking and enforcement is automated by making it an integral part of relevant tools and processes. For example, booking tools can be designed to only offer travel options from preferred suppliers and expense claim systems automatically flag ‘out of policy’ expenditure.

However, in the study nearly half of the companies were classified as ‘semi-automated’, meaning that some data can be produced by T&E management systems. Periodic analysis is typically carried out to identify those individuals or groups who have an unusual spend profile compared to their peers and colleagues. This data is supplemented by information from suppliers and business travel partners, such as travel agents, and used in the collation of compliance statistics to determine if policy communication, training or management action is required.

Exhibit 6 Preferred supplier relationships and policy

<table>
<thead>
<tr>
<th>Areas covered in policy</th>
<th>Compliance achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel agent</td>
<td>100%</td>
</tr>
<tr>
<td>Airline</td>
<td>99%</td>
</tr>
<tr>
<td>Car rental</td>
<td>89%</td>
</tr>
<tr>
<td>Hotel</td>
<td>89%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>85%</td>
</tr>
<tr>
<td>Taxi</td>
<td>74%</td>
</tr>
<tr>
<td>Fuel</td>
<td>90%</td>
</tr>
</tbody>
</table>

(Sample of 47 companies)
In this context, corporate and lodge cards can also be powerful tools. The rich data that these payment methods can generate can be put to good use in tracking compliance and enforcing policy.

**Case Study – Novelis**

“By having better information on spend and suppliers, Novelis was in a strong position to re-negotiate supplier rates, and have achieved a 5-10% cost reduction year-on-year for the last four years.”

Andreas Glapka, Procurement Director
Rolling and Recycling, Novelis

**SOURCES AND BENEFITS OF MANAGEMENT INFORMATION**

Management information can enable an organisation to:

- Monitor and drive increased compliance with preferred supplier programmes
- Analyse purchasing patterns and identify opportunities for optimising the supply base
- Provide intelligence to strengthen supplier negotiations and optimise pricing arrangements

Corporate card companies can provide comprehensive Management Information on a company’s T&E spend, typically by supplier, location and cost centre. For the Management Information to be effective, companies need to ensure that as much T&E spend as possible is charged to the card and that the quality of the data is not compromised by personal spend.

Similarly, a number of lodge card products are available, ranging from simple payment cards, to those linked with travel agencies to support sophisticated features to facilitate control, accounting and spend analysis. The more advanced products offer configurable payment/billing options, e-billing and spend analytics provision, which can significantly enhance policy compliance tracking and enforcement.

Best practice companies mandate a single corporate card provider in order to benefit from the opportunity of consolidated Management Information and to streamline data integration with financial systems; 66% have such a single card provider policy. Of the companies with a corporate card scheme in place, 74% indicate that their policy states that the card must not be used for personal spend, though many admitted that they found this difficult to enforce and consequently found their T&E expenditure data to be somewhat compromised. Estimates of the level of personal spend on corporate cards ranged from 0-65% of total card spend.

**CASE STUDY – A GLOBAL COMPANY IN THE FINANCIAL SERVICES SECTOR BASED IN SWITZERLAND**

Creating Transparency of the Spend and the Spenders

“Without a corporate card programme or clearly defined booking procedures, it was hard to get a picture of how much was being spent, who was spending, and the most frequently used suppliers.”

Travel Manager

The Solution

The Company consolidated its travel agency and corporate card programmes globally to a single provider, in order to gain the benefits of a ‘one-stop shop’. Online booking tools and streamlined automation for lodge card processing has reduced process costs. In addition, the impending implementation of an automated expense processing solution will lower costs further, whilst giving travellers a suite of online self-service tools for managing bookings and expense claims.

The Business Benefits

Spend transparency and consolidation have driven improved supplier analysis and negotiation, and tighter policies have allowed the Company to benefit from its improved rates. Overall, this has delivered hotel cost savings of 30-40%, and more than 95% of air spend is now being billed to lodge cards.

While expense claim auditing is still a popular method of enforcing T&E policy employed by 73% of companies (See Exhibit 8 Methods to enforce T&E policy), it has the disadvantage of only flagging policy breaches after they have occurred. Expense claim audits can be labour-intensive and thus expensive, yet 59% of companies indicate that they still audit 100% of expense claims rather than employ spot audit procedures (this is discussed further in Chapter 6, on Expense Claims Processing). Pre-spend approval ensures that policy compliance is enforced before the T&E activity takes place and this method is adopted by 85% of respondents. Nevertheless, approval can impose a significant administrative burden on busy line managers.

**EXHIBIT 8 METHODS TO ENFORCE T&E POLICY**

(Sample of 66 companies)

- **Prefered suppliers**: 88%
- **Pre-spend approval**: 88%
- **Travel agent**: 65%
- **Expense claim auditing**: 72%
- **Corporate card functionality**: 59%
- **Reimbursement refused**: 58%
- **Built into tools**: 55%
- **Company/division level Management Information**: 52%
- **Write to employee**: 58%
- **Note on HR file**: 14%
- **Impose penalties**: 6%
- **Other**: 3%

2. Novelis is the world leader in aluminium rolling products. Novelis is globally positioned, operating in 11 countries with approximately 12,900 employees. In 2006, the company reported net sales of $9.8 billion.
Policy compliance drives down indirect costs by:

- Reducing time spent in planning and booking by using preferred suppliers only
- Reducing the burden of reconciliation of non-standard spend
- Realising many of the efficiencies to be gained from automation since there are fewer exceptions requiring special treatment

The findings in Exhibit 9 Annual indirect cost per traveller according to level of compliance, indicate that it serves companies well to allocate adequate resources to develop a strong T&E policy and to ensure that proper mechanisms are in place to achieve high levels of compliance. Aside from direct and indirect cost benefits, strong policy compliance will ensure that a company is better placed to meet its legal and regulatory obligations through tight internal controls and enhanced financial disclosure.

Interplay of Policy, Processes and Systems

There is an important link between the development and enforcement of policies, the design and application of processes and the roll-out and adoption of IT systems.

Policies can mandate or encourage the adoption of certain processes and tools, such as the use of online booking tools, corporate cards, receipt auditing and automated expense solutions. The adoption of these processes and tools can streamline working practices and subsequently reduce the time spent by individuals in managing their T&E.

In addition, well designed and effectively implemented processes can improve policy compliance. For example, a clearly communicated and straightforward trip booking process supported by an effective booking tool will increase the probability that travellers book correctly, selecting preferred suppliers. This, in turn, can help a company achieve its negotiated volume thresholds and strengthen its negotiating position with its travel suppliers.

Finally, systems constitute the physical and organisational infrastructure and may involve varying levels of automation. They are a mechanism for ensuring that the policies and processes are followed, whilst enhancing policy effectiveness and process efficiency.

Case Study - Wärtsilä

The Relation between Policy, Process and Systems

“Achieving worldwide consistency across policies and processes meant Wärtsilä could realise greater automation and lessen their reliance on people to manage these processes. This approach to standardisation and automation drove indirect cost savings: to 40% below the European average.”

Ann Cleveland-Oey, Head of Travel Programme, Wärtsilä

Case Study - Novelis

“Systems and automation are important, but you first need to have policy and processes that adequately address the company needs and culture.”

Andreas Glapka, Procurement Director Rolling and Recycling, Novelis
Reducing the Carbon Footprint through T&E Management

In today’s climate of increased environmental focus and corporate social responsibility, some companies are now incorporating aspects of sustainability into their strategies and policies. Consequently, a growing number of companies are paying greater attention to their T&E policy and, in particular, their carbon footprint associated with corporate travel. With cheap flights and a rapidly globalising economy, there is now more business air travel than ever, and an ever-increasing impact on the environment. Business travel is often unavoidable as there may be no substitute for face-to-face contact.

Travel management companies have the potential to be able to provide automated, and fully integrated, carbon calculations and measurements for business flights and travel. This will eliminate the administrative hurdle for companies and help them commit to climate protection, acknowledge ecological responsibility and set the pace for corporate social responsibility.

20% of companies in the study incorporate aspects of sustainability in their travel policy. 38% of these calculate the carbon emissions associated with their activities, while 17% calculate the carbon footprint specifically associated with T&E spend. Typically, it is the role of the in-house travel management team (41%) or the third-party travel agent (29%) to calculate emissions, and companies that conduct this calculation spend, on average, 10.5 hours per month on the activity. 36% of respondents that calculate their carbon emissions do so quarterly and 28% do so annually.

Exhibit 11 Frequency of carbon emissions calculation (Sample of 25 companies)

![Graph showing frequency of carbon emissions calculation]

The resulting data is then used in a number of ways. In most cases it is used for internal purposes, whether for inclusion in internal publications or simply to encourage behaviour to reduce carbon emissions among employees. Nearly a quarter (23%) use the calculation to track progress against carbon reduction targets.

Exhibit 12 Use of carbon emission calculation (Sample of 25 companies)

<table>
<thead>
<tr>
<th>Use of Carbon Emission Calculation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publish in internal publications</td>
<td>27%</td>
</tr>
<tr>
<td>Encourage employee behaviour to reduce carbon emissions</td>
<td>26%</td>
</tr>
<tr>
<td>Track progress against company reduction targets</td>
<td>25%</td>
</tr>
<tr>
<td>Publish in annual report and accounts</td>
<td>21%</td>
</tr>
<tr>
<td>Help develop policy in this area</td>
<td>20%</td>
</tr>
<tr>
<td>Publish in dedicated external CSR reports or similar</td>
<td>17%</td>
</tr>
<tr>
<td>In-sourcing and procurement decisions</td>
<td>14%</td>
</tr>
<tr>
<td>Basis for carbon offsetting</td>
<td>11%</td>
</tr>
<tr>
<td>Support marketing, advertising and PR activity</td>
<td>6%</td>
</tr>
<tr>
<td>Track progress against individual reduction targets</td>
<td>3%</td>
</tr>
</tbody>
</table>

For many organisations, addressing the issues associated with managing the triple bottom line of financial, environmental and social performance is still at a nascent stage of development. As practices develop, T&E management stands to play a role in supporting a company’s sustainability-driven efforts.

Carbon Footprint

The term carbon footprint is commonly used to describe the total amount of Carbon Dioxide (CO₂) and other greenhouse gas emissions for which an individual or organisation is responsible. Calculating an organisation’s carbon footprint can be an effective tool for ongoing energy and environmental management. Having quantified the emissions, opportunities for reduction or offsetting can be identified and prioritised.
Chapter 3: Travel Arranging

Travel arranging encompasses three interrelated activities:

- **Planning** the trip, identifying time constraints around the trip and identifying travel options compatible with meeting objectives and personal schedule
- **Requesting** approval for travel and submitting any necessary documentation for authorisation
- **Booking** a trip via the agent or with relevant suppliers including making any changes or cancellations. Bookings may be carried out by the traveller or delegated to assistants or specialist bookers

The key driver of travel arrangement costs is the time spent by travellers and their assistants on these three activities, which together account for 40% of total indirect costs. Since 2003, it appears that companies have made progress in reducing the travel arrangement segment of their total indirect costs.

**Exhibit 13: Travel arranging contribution to total indirect costs** (Sample of 60 companies)

<table>
<thead>
<tr>
<th>Activity</th>
<th>2003</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>26%</td>
<td>16%</td>
</tr>
<tr>
<td>Requests/</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>authorisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Booking</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>Total</td>
<td>52%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Cost reductions in travel booking have kept pace with efficiency improvements elsewhere in T&E management processes. Hence the costs associated with trip booking, as a proportion of indirect costs accounted for by trip booking, has changed little in the last five years. The increased use of the internet to search for available travel options and, where relevant, the enhancement of booking tools to offer such functionality, may account for some of the increased efficiency of planning activities. In addition, many companies recognise that pre-trip authorisation processes can be streamlined and efforts to do so may account for the reduction in travel request costs.

Employees of an average performing company spend substantially more time in arranging travel than the best performing companies, which leads to higher indirect costs. By achieving best performance in trip planning, an average performing company can reduce their indirect costs by 52% per trip. Similarly, savings of 66% can be achieved by moving from average to best performance in trip requests and 70% in booking the trip (including cancellations and changes).

**Exhibit 14: Potential cost savings in planning and booking (per unit cost)** (Sample of 60 companies)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Average performance</th>
<th>Best performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>€1.54</td>
<td>€0.80</td>
</tr>
<tr>
<td>Requesting</td>
<td>€1.54</td>
<td>€0.80</td>
</tr>
<tr>
<td>Booking</td>
<td>€4.09</td>
<td>€2.35</td>
</tr>
</tbody>
</table>

Notes: Booking includes cancellation and changes. Planning and booking unit costs are par trip booking; requesting unit costs are par request.

**Case Study – A Global Company in the Financial Services Sector based in Switzerland**

**Travel Planning and Trip Booking Best-Practice, Leads to Significant Cost Reductions**

Streamlining, simplification and standardisation of the travel planning and booking process have helped reduce the cost of planning a trip to €9.44, saving the Company 15% relative to the average European company. This was achieved by ensuring travellers are aware of the travel options available to them within policy guidelines. Even greater improvements have been achieved in the trip booking stage through process improvements, combined with the use of online booking tools and a dedicated off-site travel team. As a result, the Company’s trip booking unit cost has been reduced to only €2.04, delivering a 58% improvement relative to the average company in the survey. This is particularly impressive since 25% of the trip bookings have three or more legs, and are therefore more complex to book. Although the Company retains a trip approval process, the flexibility around the timing of the approval allows them to avoid excessive associated costs.
Trip Planning

Trip planning includes the identification of the need for travel and establishing the basic travel schedule of the trip, such as the required destination and the length of stay. By achieving best performance in trip planning, an average performing company will save 52% per trip (€4.09 per trip compared to €8.52).

Time spent by the traveller or travel arranger, where relevant, is the key driver of the indirect costs associated with trip planning. However, the time spent on travel planning varies markedly among respondents from 1 minute to 30 minutes per trip, with an average of 14.5 minutes. On average, simple trips (up to two sectors of air travel) comprise 75% of trips. However, several companies indicate that complex trips (three or more sectors of air travel) constitute more than 50% of travel. Complex trips can significantly increase the time spent by the traveller or assistant on pre-trip planning and liaising with the agent/supplier, which in turn leads to higher indirect trip planning costs. Complex trips may also be more difficult to book using online self-service tools.

Automated booking tools can help reduce planning time by making it easier for the traveller or travel arranger to view and compare travel options. Also, they allow the recording of repeat itineraries for easy recall and re-booking.

On average, over half (53%) of all travel arranging is delegated to assistants. In discussions with the participating companies, several state that their policy is for travellers to be ‘self-sufficient’ and that delegating to assistants is discouraged. Automated booking tools are cited as a means of achieving this. The study indicates that companies that have a low level of delegation (40% or less trips are delegated to assistants), 60% have implemented automation into the travel arrangement processes.

Travel Requests and Approval

Travel requests and approval entails the traveller, or their assistant if the task is delegated, completing and submitting a travel request and an approver (usually a line manager) reviewing the request and either approving or rejecting it. By achieving best performance in travel requests and approval, an average performing company will save 60% per trip (€1.54 per request compared to €4.48) by simplifying and speeding-up the activity for both the traveller and the approver.

In theory, best-practice is to eliminate pre-trip authorisations. While this is a challenge for many organisations, it has been achieved by some. These companies rely on checks throughout the travel process to ensure travel is aligned with policy:

- Travel agents enforce compliance at point of booking
- Online booking tools have built-in functionality to control available choices and to flag exceptions
- Post trip controls via expense claim processing and supplier Management Information also flag exceptions

Some of the companies with a culture of self-approval may still require some form of pre-trip authorisation for long-haul/intercontinental travel. In addition, it will be influenced by the contractual terms with the travel agency and whether the liability for ensuring that employees are only booking authorised trips rests with the company or the agency.

For many companies (88%), culture or business requirements continue to dictate the need for pre-trip authorisations. However, there has been a clear shift in the format of the approval. Whereas in 2003 over half (55%) of all companies had a paper-based process, only 36% of companies in 2008 are using this format. Similarly, in 2003, only 8% had authorisation forms built into an online booking tool, whereas more companies (39%) now indicate that they have incorporated this functionality into their systems. There has also been a trend towards more informal methods of authorisation such as verbal approval or a simple email, which in some cases was explained as an interim step towards eliminating pre-trip authorisation altogether. Many companies use more than one type of authorisation, often with a more formalised method being employed for long-haul travel. While 24% of respondents in 2003 required two or more levels of approval for travel, this has decreased to 15% in 2008, suggesting that companies are attempting to remove some of the internal bureaucracy associated with pre-trip authorisation. Financial and professional service firms and those in the pharmaceutical industry appear to be leading the way with other industries appearing less inclined to reduce the number of approval levels.

Case study – Novelis

Automation of Systems Leads to Significant Reductions in Trip Booking Costs

Novelis’ policy mandates the use of a single travel agency, and their online booking tools significantly reduce the need for phone bookings. They also reduce the indirect cost associated with trip planning by eliminating the need to delegate to assistants. As a result of implementing automated systems, Novelis’ trip booking indirect costs are now 55% below the European average.
Automation has the potential to play a significant role in reducing the indirect costs associated with travel requests and approval. In the most efficient examples, the traveller information (e.g. the employee name, ID number, cost centre) is automatically populated when the user accesses the system. A request for authorisation then requires no additional information than that captured during the booking process.

An automatic alert is immediately sent to the relevant approver whose authorisation is required for the trip to go ahead. From this alert, the approver can gain direct access to the traveller and trip details with approval (or refusal) granted with one mouse click.

In addition, the company also realises significant direct savings through reduced agency transaction fees and lower fares selection. The latter saving is driven by observed traveller behaviour. This indicates that the inclination to choose a lower fare is greater when the individual is making the choice themselves, than if it is dependent on giving an instruction to a travel agent or another third party, such as an assistant.

### Exhibit 16 Cost per request; non-automated vs. fully automated companies

<table>
<thead>
<tr>
<th></th>
<th>Non-automated</th>
<th>Fully automated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per request</td>
<td>€5.89</td>
<td>€3.97</td>
</tr>
</tbody>
</table>

Making the Booking

Making the booking is the final step in the Travel Arranging process and entails booking a trip via the agent or with relevant suppliers, including making any changes or cancellations. The indirect costs associated with trip booking can vary widely between companies. Nevertheless, by achieving best performance a company of average performance can realise 70% process savings per trip (€1.89 per booking compared to €6.25).

Best-practice companies reduce the cost of booking activities by linking to the fulfilment centre of a single travel agent. A single agent is in a strong position to enforce compliance at the time of purchase by steering travellers towards preferred suppliers and payment mechanisms. The companies in the study demonstrate the extent to which consolidation of travel purchasing has become common practice since 82% have only one travel agent. The more familiar a travel agent is with a company’s policy, operating culture, management expectations and traveller preferences, the greater its efficiency in processing bookings and minimising the need for rework.

In 2003, only 32% had implemented booking tools, although at that time 49% indicated that they had planned to implement some form of automated booking within the following two years. These tools are now much more common: 69% of the participants in the 2008 study are currently using automated booking systems and a further 17% indicate that they plan to introduce them in the next 6-12 months.

The challenge for best-practice companies has shifted from introducing travel booking tools to ensuring user adoption. Participants report that ease of use and high user satisfaction are essential to driving high adoption rates. For those companies classed as ‘automated’ in the travel arrangements process, an average of 59% of trips were booked via such a tool while the best performing companies state that 100% of bookings were made in this way. 100% user adoption may be difficult to achieve, particularly when the level of complex bookings is high, but there is clearly still room for improvement for many companies in realising the full benefits of automation.

### Exhibit 17 Cost per booking; non-automated vs. fully automated

<table>
<thead>
<tr>
<th></th>
<th>Non-automated</th>
<th>Fully automated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per booking</td>
<td>€5.77</td>
<td>€1.78</td>
</tr>
</tbody>
</table>

Note: Excludes changes and cancellations

### Exhibit 18 Breakdown of travel arranging costs (in Euros)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Best performance</th>
<th>Average performance</th>
<th>Lower performance</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel planning</td>
<td>4.96</td>
<td>11.06</td>
<td>19.93</td>
<td>60</td>
</tr>
<tr>
<td>Planning the trip</td>
<td>4.09</td>
<td>8.52</td>
<td>14.97</td>
<td>56</td>
</tr>
<tr>
<td>Traveller - cost of planning</td>
<td>2.45</td>
<td>8.26</td>
<td>18.71</td>
<td></td>
</tr>
<tr>
<td>Assistant - cost of planning</td>
<td>1.23</td>
<td>2.89</td>
<td>8.62</td>
<td></td>
</tr>
<tr>
<td>Traveller - cost of liaising with assistant</td>
<td>0.32</td>
<td>6.65</td>
<td>5.74</td>
<td></td>
</tr>
<tr>
<td>Assistant - cost of liaising with traveller</td>
<td>0.15</td>
<td>1.91</td>
<td>2.74</td>
<td></td>
</tr>
<tr>
<td>Travel requests</td>
<td>1.54</td>
<td>4.48</td>
<td>10.68</td>
<td>53</td>
</tr>
<tr>
<td>Traveller - cost of processing request</td>
<td>0.65</td>
<td>3.61</td>
<td>6.45</td>
<td></td>
</tr>
<tr>
<td>Assistant - cost of processing request</td>
<td>0.37</td>
<td>1.51</td>
<td>3.08</td>
<td></td>
</tr>
<tr>
<td>Approver - cost of processing request</td>
<td>0.86</td>
<td>2.17</td>
<td>4.30</td>
<td></td>
</tr>
<tr>
<td>Travel request authorisation</td>
<td>0.08</td>
<td>1.12</td>
<td>2.70</td>
<td>54</td>
</tr>
<tr>
<td>cycle time</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trip booking</td>
<td>1.89</td>
<td>6.26</td>
<td>8.45</td>
<td>44</td>
</tr>
<tr>
<td>Trip booking</td>
<td>1.44</td>
<td>4.89</td>
<td>7.16</td>
<td>60</td>
</tr>
<tr>
<td>Traveller - cost of booking</td>
<td>2.37</td>
<td>7.54</td>
<td>10.08</td>
<td></td>
</tr>
<tr>
<td>Assistant - cost of booking</td>
<td>1.13</td>
<td>2.56</td>
<td>4.77</td>
<td></td>
</tr>
<tr>
<td>Trip cancellation/change</td>
<td>0.15</td>
<td>1.34</td>
<td>2.07</td>
<td>44</td>
</tr>
<tr>
<td>Traveller - cost of cancelling/change</td>
<td>1.73</td>
<td>3.34</td>
<td>6.58</td>
<td></td>
</tr>
<tr>
<td>Assistant - cost of cancelling/change</td>
<td>0.87</td>
<td>1.40</td>
<td>3.08</td>
<td></td>
</tr>
</tbody>
</table>

In the case of trip changes and cancellations, most companies do not yet appear to have achieved the promised efficiencies of automation. To date, much of the effort around the design and implementation of systems and tools has been focused on the initial travel planning and booking activities; many self-booking tools do not support the modification or cancellation of all trip types. The market trend is to manage the process by connecting the self-booking tool with the travel agency. Calling the fulfilment centre will occur only where itinerary changes are made en route when the traveller does not have access to the self-booking tool. Nevertheless, for many companies the change and cancellation process can take longer than the original booking, thereby off-setting some of the efficiencies achieved in the booking process. Therefore, it is essential to consider the trade-offs of automation and ensure wherever possible that post-booking support and change handling functionality is also built into the tool.
The indirect costs associated with cash advances include all activities conducted by the traveller, their assistant and any back-office processing involved in requisition, authorisation, issuance and reconciliation.

Generally, companies prefer to avoid having travellers use cash as a payment method due to the potential impact on the company’s cash position, difficulties in tracking and accounting, as well as risks of fraud or robbery. Cash can be subject to misuse and the need to ensure adequate controls often leads to cumbersome processes. In addition, several participants also stated that their travellers were sometimes slower to submit expenses where a large cash advance had been issued. This can be a particular issue for professional service firms where clients are billed for T&E.

However, cash has some advantages particularly for transactions of low value or where speed is a factor e.g. bus tickets, and in areas where other payment options are not available such as developing countries or rural areas. Furthermore, cash advances are a more common practice in certain countries such as Italy and Spain.

Typically, companies seem to issue permanent advances on an as-needed basis, e.g. if an employee on a low salary is required to conduct substantial travel and cannot reasonably be expected to fund the incidental trip expenses, particularly if there is expected to be a delay in reimbursement. Excluding Italy and Spain, only 6% of participants currently use permanent advances.

With respect to temporary advances, 29% of respondents issue them and based on the overall sample they account for 2% of total indirect costs. As noted earlier, this low percentage is partially driven by the fact that not all companies in the sample issue temporary cash advances, and those that do, issue them in relatively low volumes as an exception process. For those companies that do issue advances, the costs can be high – the average cost for issuing an advance is €12.95.

Average performance companies can achieve a 53% reduction in the indirect costs associated with this process by achieving best-practice. This can be achieved by streamlining the process and introducing automation.
Best-Practice for Temporary Cash Advances

Best-practice for temporary cash advances is to avoid issuing them, if possible. Instead, companies should look to travellers to use personal cash or corporate card funded ATM withdrawals and to submit a claim for reimbursement via the normal expense process. For corporate card funded advances, use of an individually settled programme may simplify the process by removing the onus of back-office reconciliation.

The study indicates that quite a few companies have been adopting the individually settled card route: 45% of companies rely on their travellers to either provide the cash needed or withdraw from individually settled cards. Companies that choose not to take this approach should streamline and automate processes wherever possible, for instance by having their foreign exchange supplier charge advances to corporate cards, thereby eliminating the need to reconcile central bills. Among the companies issuing temporary advances, 23% indicate they have automated the process, and half of these have integrated the process with their travel agent. A further 6% aim to automate in the next 6-12 months through a mix of Enterprise Resource Planning (ERP), integration with the travel agent, or a single purpose solution.

The remaining administrative burden and cost can be alleviated by not requiring approval for cash advances.

Case Study – Wärtsilä

Best-Practice for Temporary Cash Advances

In the past, Wärtsilä issued cash advances to its employees. However, this practice proved weak over time, and was phased out under the new travel programme.

Ann Cleveland-Oey, who heads up the travel programme at Wärtsilä, says: “If you have 16,000 employees and they each take €1,000 in advances, it makes a significant impact on the cash position of the company. In addition, we found out that many employees did not use the advances that were given to them, neither were they encouraged to submit their expenses on time, which in turn impacted our ability to bill our clients promptly. Hence our decision to phase out the practice of cash advances.”

Exhibit 21

Cost per temporary cash advance; non-automated vs. fully automated

(Sample of 21 companies)

Exhibit 22

Breakdown of cash advance costs (in Euros)

<table>
<thead>
<tr>
<th></th>
<th>Best performance</th>
<th>Average performance</th>
<th>Lower performance</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working allowance/</td>
<td>1.02</td>
<td>8.63</td>
<td>34.93</td>
<td>11</td>
</tr>
<tr>
<td>Permanent advance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Processing (handling) cost</td>
<td>1.02</td>
<td>8.63</td>
<td>34.93</td>
<td></td>
</tr>
<tr>
<td>Temporary advance</td>
<td>6.04</td>
<td>12.95</td>
<td>67.88</td>
<td>22</td>
</tr>
<tr>
<td>Traveller - cost for</td>
<td>1.03</td>
<td>7.09</td>
<td>13.23</td>
<td></td>
</tr>
<tr>
<td>processing temp. advance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistant - cost for</td>
<td>0.40</td>
<td>3.84</td>
<td>6.62</td>
<td></td>
</tr>
<tr>
<td>processing temp. advance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approver - cost of</td>
<td>0.73</td>
<td>3.68</td>
<td>8.60</td>
<td></td>
</tr>
<tr>
<td>processing temp. advance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Back-office - cost of</td>
<td>2.23</td>
<td>5.33</td>
<td>54.06</td>
<td></td>
</tr>
<tr>
<td>processing temp. advance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Exhibit 23

Cash advances process map; best performance company

Note: Time spent on expense claim preparation and accounting entries and reconciliation is part of expense claim processing.
Chapter 5: Central Billing

Central billing involves the billing and payment of T&E activities by the company at a consolidated level rather than by the individual traveller. Central billing can take several forms. In general, and for the purposes of this study, it includes:

- Lodge cards – variously known as virtual cards, ghost cards or business travel accounts for use by multiple travellers and lodged at the travel agent to pay for transportation invoices
- Other invoices received direct from suppliers with respect to T&E

Levels of central bill sophistication range from a consolidated paper invoice on a departmental basis, through electronic files and data feeds integrated with financial systems, to electronic invoice presentment and payment (EIPP) at a company level. Irrespective of the degree of sophistication, the reasons for establishing central billing include:

- To increase control and transparency over spend
- To avoid forcing travellers to take on large travel-related costs personally for any length of time
- To consolidate the function into a shared service centre
- To implement automation for invoice receipt, payment and integration into financial systems

The study found many companies continue to see value in having at least some of their T&E-related invoices centrally billed, with 90% using some level of central billing for transportation or other T&E invoices, or both. Other companies find it difficult to eliminate central billing even where this is deemed desirable and regard it as a necessary compromise.

Central Billing Units

In this study, unit cost for central billing refers to individual transactions i.e. invoice line items. In order for the unit cost calculations to be as accurate as possible, the study looked for this lowest common denominator among all companies. As invoicing frequency varies widely among companies, transactions were considered to be a more consistent and reliable unit of analysis.

The top categories where some or all invoices were centrally billed are:

- Transportation invoices - 73% of all the companies in the study
- Hotel invoices - 56%
- Taxis – 32%

On average, indirect costs associated with central billing equate to 1% of total direct spend across all the participants, which is comparable with findings in 2003. See Exhibit 22 Central billing process map, best performance company at the end of this chapter.

Best-Practice for Central Billing

In general, best-practice is to avoid central billing and instead transfer T&E spend to a corporate card programme which is statemented, billed and paid per individual rather than at a company level. The central reconciliation function is then eliminated as the task moves into the expense claim process. However, many companies do not find this feasible in all circumstances. For example, companies may not want to expose their travellers to the potential need to fund high value business travel expenses such as airfares or extended trips. Other reasons centre on the need to cover travel expenses for non-employees such as contractors, visitors or interviewees.

The study shows that for these companies, there are opportunities to streamline the process and reduce costs by:

- Consolidating expenditure on lodge cards
- Implementing automation for invoice receipt, payment and integration into financial systems
- Consolidating the function into a shared service centre

Successfully pursuing some or all of these changes can generate process savings of up to 76% per transportation invoice (air and rail), and 92% per non-transportation invoice (all other T&E), compared with average performance.

Exhibit 24 Potential savings from best-practice in central billing (per unit cost)
(Sample of 39 companies)
Incorporating a Lodge Card into Central Billing

Lodge cards are most typically used for air and rail spend, followed by hotel spend. A lodge card can be an effective tool for streamlining the central billing process as well as for maximising the opportunity to capture robust Management Information. A lodge card can serve as a single payment mechanism for some categories of T&E spend, thereby enabling consolidation of spend data that might otherwise be lost to personal cards or fragmented into separate supplier invoices.

Lodge Cards

A number of lodge card products are available, ranging from simple payment cards to those linked with travel agencies to support sophisticated features that facilitate control, accounting and spend analysis. The more advanced products offer configurable payment/billing options, e-billing and spend analytics provision, which can significantly enhance the central billing process.

Lodge cards can support electronic transfer of invoice data into financial systems, thereby streamlining the back-office processes associated with reconciliation, payment, and cross-charging or allocation of invoices. The provision of accurate and timely data is an issue that is becoming increasingly important for companies, especially in industries such as professional services where T&E can be charged to clients in addition to fees. Another commonly cited reason for using lodge cards is to move airline billings away from the individual traveller for a variety of reasons, such as the need to book and pay well in advance of travel to obtain the best fares, the high cost of long-haul tickets, or the complexity and drawn-out nature of some airline refund processes.

The Role of Automation in Receiving and Paying Central Bills

Automation can enhance a company’s ability to streamline the central billing process. 85% of the companies in the study that use central billing indicate that they have partially or fully automated their central billing processes. An additional 18% state that they have plans to automate central billing processing within the next two years.

Exhibit 25 Cost per centrally billed transaction: non-automated vs. fully automated
(Sample of 39 companies)

The benefits of automation translate directly into unit processing cost savings - a non-automated company can realise savings of 79% by achieving best-practice in fully automating the central billing process. There are several different approaches companies have taken to incorporate automation into their central billing processes.

Approaches to Automation

Among the sample, direct integration to Enterprise Resource Planning (ERP) systems appears to be the most prevalent central billing solution (see Exhibit 26 Current automation in central billing). The proportion using Electronic Invoice Presentment and Payment (EIPP) is small but meaningful and is likely to increase in the near future. The results of the study indicate that the EIPP combined average cost (receipt and payment) per centrally billed transaction is €0.16 per transaction; the lowest for receipt using EIPP is €0.06 and for payment it is €0.004. This compares favourably with other methods of processing central bills.

Exhibit 26 Average cost per centrally billed transaction; EIPP vs. fully automated (all types)
(Sample of 39 companies)
Nevertheless, EIPP will remain outpaced by direct integration to ERP over the next several years with 33% of companies stating they will introduce ERP integration but only 17% indicating that they would introduce EIPP.

### Exhibit 28 Central billing – plans for automation
(Sample of 39 companies)

<table>
<thead>
<tr>
<th>Integration type</th>
<th>2003</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct integration to ERP</td>
<td>20%</td>
<td>53%</td>
</tr>
<tr>
<td>EIPP</td>
<td>17%</td>
<td>34%</td>
</tr>
<tr>
<td>Integrated with travel</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td>Sent invoices</td>
<td>20%</td>
<td>23%</td>
</tr>
<tr>
<td>Invoice management system</td>
<td>17%</td>
<td>34%</td>
</tr>
</tbody>
</table>

With respect to how the electronically received invoices or files are used, 66% of respondents indicate that they are integrated with financial or accounting systems, which is slightly higher than in 2003 (63%). Electronically received data is used by 45% of respondents to generate Management Information; this is down from 67% in 2003. Integration with an automated expense solution has become considerably more common: 41% in 2008, in comparison with 19% in 2003. Finally, using automation to enhance compliance tracking and enforcement is a practice among 34% of the companies (this question was not asked in the 2003 study).

### Exhibit 29 Use of electronically received files
(Sample of 39 companies)

### Exhibit 30 Cost per centrally billed invoice
(Sample of 39 companies)

With respect to how the electronically received invoices or files are used, 66% of respondents indicate that they are integrated with financial or accounting systems, which is slightly higher than in 2003 (63%). Electronically received data is used by 45% of respondents to generate Management Information; this is down from 67% in 2003. Integration with an automated expense solution has become considerably more common: 41% in 2008, in comparison with 19% in 2003. Finally, using automation to enhance compliance tracking and enforcement is a practice among 34% of the companies (this question was not asked in the 2003 study).

### Shared Service Centres and Central Billing
As in other segments of T&E processing, some companies handle central billing by using a shared services model to limit the number of touch points as well as to achieve Full-Time Equivalent (FTE) reductions.

The benefits of shared service centres for central bill processing are compelling. Based on the study sample, average performance companies can achieve a 44% reduction in the unit processing cost per invoice (€0.41 to €0.23). Such benefits can be realised through the greater scope and scale efficiencies associated with shared service centres.

Of those companies using central billing, 44% indicate that they manage the process within a shared service centre. Among these companies, 67% have their centres on-shore (located in the same country as the part(s) of the organisation they serve), while the remainder have them off-shore, with Poland and India being the most popular locations.

The shared service model is covered in more detail in Chapter 7 on Alternative Models.

### The Benefits of Individually Settled Corporate Cards
A single payment mechanism can simplify processes and consolidate all information in one database. In 2008, 63% of companies had individually settled corporate cards. Individually settled corporate cards have several advantages over central billing:

- **Accountability** – travellers are responsible for tracking their expenses, e.g., returning unused tickets. This encourages prompt submission of expense claims and provided claims are reimbursed before card settlement is due, there is no impact on a travellers’ personal bank balance.
- **Increased transparency and control** – Management Information generated by the card provides a clear and complete picture of travel patterns and spend per traveller. Companies also find it easier to control access via individual cards as it is easier to switch off a card, than to inform one or more travel agents that a particular individual should no longer charge to a lodge card.
- **Compatibility with internal financial systems** – integration with company financial ledgers is straightforward, and all expenses can be allocated to individuals, eliminating unallocated expenses.
- **Simplified administration** – back-office staff can focus on processing expense claims without the need to manage parallel flows of central and individual billing.

**EIPP**

Electronic Invoice Presentment and Payment (EIPP) is a web-enabled solution designed to achieve cost and efficiency savings by incorporating invoice submission, authorisation, reconciliation and payment into an electronic workflow between trading partners. There are three main EIPP models:

- **Supplier centric** – one-to-many relationship linked to the biller’s Accounts Receivable system
- **Buyer centric** – buyer requires sellers to post invoices to its EIPP system linked to Accounts Payable
- **Consolidator model** – many-to-many relationship hosted by a third party who collects invoices from multiple sellers for multiple buyers

EIPP platform data is linked into the company’s back-end financial or Enterprise Resource Planning (ERP) systems for process optimisation.

The primary EIPP benefits are common to suppliers and buyers and are in the areas of process savings, improved control and management of working capital. Both parties can also achieve further specific benefits including greater visibility into the end-to-end process and web-based collaborative dispute management.
Chapter 6: Expense Claims Processing

The expense claim process consists of submitting a justification for T&E incurred along with any necessary supporting information, relevant process and control procedures, associated accounting activities, and where relevant, reimbursement to the traveller.

This process breaks down into three sets of tasks:
- The steps performed by the traveller or assistant to complete and submit expense claims.
- The activities undertaken by line management and accounting staff to approve and audit expense claims:
  - Approval is the review and authorisation (or refusal) of an expense claim by a line or cost centre manager, after checking that the claim submitted is aligned with business purpose, T&E policy principles and authorised expenditure parameters.
  - Audit is the activity carried out by the accounting function to reconcile the claimed expenses against submitted receipts and to ensure that all expenditure is in line with the detail of the company’s policy.
- Reimbursement of travellers and posting to ledgers by accounting personnel.

The study shows that expense claim processing has not kept pace with cost reductions elsewhere in T&E management. However, the potential for indirect cost savings remains considerable. By matching the best performing companies in this study, companies with average performance in expense claims processing could achieve a saving of 47% per claim (€9.28 per claim compared to €17.64).

<table>
<thead>
<tr>
<th>Exhibit 31 Cost per centrally billed invoice benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central Billing</strong></td>
</tr>
<tr>
<td>Best performance</td>
</tr>
<tr>
<td>0.05</td>
</tr>
<tr>
<td>Processing cost - transportation</td>
</tr>
<tr>
<td>Best performance</td>
</tr>
<tr>
<td>0.07</td>
</tr>
<tr>
<td>Processing cost - other categories</td>
</tr>
<tr>
<td>Best performance</td>
</tr>
<tr>
<td>0.05</td>
</tr>
</tbody>
</table>

Exhibit 32 Central billing process map; best performance company

Fully automated central billing: Active Traveller processing time: 3.86 min

- [1.41 min] Reconcile
- [6.42 min] Accounting entry
- [1.22 min] Cross charging
- [0.81 min] Payment

Exhibit 33 Cost per expense claim (Sample of 56 companies)
Cost reduction is not the only reason for focusing on the expense claim process. Improved information coupled with a well-designed system enables companies to better monitor policy compliance and reduce direct expenditure through better negotiation and control of traveller behaviour. An optimal expense claim process strikes a balance between the traveller, managerial and financial stakeholders within the organisation, and facilitates efficient cost allocation, transparency of spend and aid decision-making. Traveller and approver satisfaction is an important consideration, since completing and reviewing expense claims can be a time-consuming and unpopular task. Reducing the effort expended on such activities in the front-office frees up time and valuable resources for the core activities of the business.

Best-Practice for Expense Claims Processing

The study reveals that best-practice companies take a number of steps to optimise the tasks associated with expense claims processing:

• Define and communicate clear policy – Company-wide travel and reimbursement policies are implemented and communicated to staff. Compliance information is gathered to identify areas which are poorly understood and need further training. Further information on this topic can be found in Chapter 2 on Policy and Compliance.

• Streamline activities – Such as simplifying the activity of compiling and submitting an expense claim form to achieve time, and therefore cost savings.

• Balance approvals and audits – Post-submission process steps are optimised to ensure required control levels are maintained without an excessive administrative burden.

• Achieve scale in back-office operations – Economies of scale are achieved by consolidating expense claim processing, for example into a single shared service location. Consolidation facilitates the off-shoring of repetitive non-core back-office processes to lower cost locations.

• Implement automation – Automated systems are implemented to drive efficiency gains at all process stages. As well as delivering significant productivity improvements to travellers, assistants and approvers in the front-office, they can simplify the capture of a greater volume of higher-quality information by accountants and auditing staff in the back-office.

• Maximise VAT reclaim – Leverage existing systems, suppliers and wherever possible, extract and audit domestic and international payment data to exploit the VAT reclaim opportunity.

The specific aspects of these best practices are explored further below.

Streamlining Activities

There are some relatively simple steps an organisation can take to simplify the activities associated with completion and submission of expense claims:

• A single payment mechanism can simplify processes and consolidate all information into one source. Individually settled cards also encourage prompt submission of expense claims.

• Use customised statements provided by corporate card companies to reduce the time spent filing out claim forms.

• Reduce the additional information required from travellers where possible to minimise time spent adding details to claim forms.

• Prevent personal spend on corporate cards to eliminate the task of separating out business expenses from personal expenses. 74% of companies in the study prohibit personal spend on corporate cards to eliminate the task of separating out business expenses from personal expenses. 74% of companies in the study prohibit personal spend on corporate cards to eliminate the task of separating out business expenses from personal expenses.

• Use customised statements provided by corporate card companies to reduce the time spent filing out claim forms.

• Prevent personal spend on corporate cards to eliminate the task of separating out business expenses from personal expenses. 74% of companies in the study prohibit personal spend on corporate cards to eliminate the task of separating out business expenses from personal expenses.

Balancing Approvals and Audits

Although both activities are usually in place, it is not necessary to approve and audit all expense claims. Experience suggests managers who know that all expense claims are audited are less likely to scrutinise claims and question out of policy items. Therefore, best-practice companies strike a balance between approving and auditing in a way that is consistent with their commercial needs and corporate culture, but which attempts to relieve the administrative burden on line managers.

Companies with more stringent policy enforcement, and those with policy checks built into their procedures and systems, are more likely to be able to reduce approval and audit levels without jeopardising policy compliance and spend control. Best-practice companies employ random spot audits, sampling around 10% of claims. Additional targets for audit include those expense claims flagged as containing ‘out of policy’ items, those that are particularly large, contain certain categories of expenditure or are submitted by employees who have previously breached policy. Fraud risk and reporting obligations also need to be considered. Audit parameters should be subject to continual review and adjusted as necessary.

Use of Corporate Cards for Personal Expenditure

Best-practice companies prohibit personal spend on corporate cards to eliminate the task of separating out business expenses from personal expenses. 74% of companies in the study indicated that employees are not permitted to use corporate cards for personal expenditure. However, in discussion with participants, many explained that this is difficult to enforce in practice and is greatly influenced by corporate culture.

Where the corporate card statement is linked to the expense claim form (for example, with automated pre-population of corporate card activity) using corporate cards for personal expenditure makes the task of creating and reviewing expense claims more time-consuming. It also ‘contaminates’ the Management Information created by corporate card suppliers, therefore reducing the efficiency of this data for compliance monitoring, analysing purchasing patterns and supporting contract negotiations with suppliers.
Since 2003, it appears that more companies have moved towards best-practice in the back-office by introducing a regime of spot audits. In 2008, 39% of companies audit all expense claims, down from 64% in 2003. Of those that conduct spot audits, the majority sample 5% to 10% of expense claims, although answers range from 2% to 35%.

Case Study – Novelis

“When you have a streamlined and transparent process, there is no need to have costly and archaic approval methods.”

Andreas Glapka, Procurement Director
Rolling and Recycling, Novelis

Novelis use a fully automated web-based expense management system. Whist Novelis audit 100% of their expenses, the process is fast with expenses being paid within three days or even within 24 hours for large sums.

Achieving Scale in Back-office Operations

The study confirms that companies using a shared service centre for expense claim processing can reduce back-office processing costs by around 66% (€7.51 to €2.38). Not only are pure economies of scale achieved, but it also affords the opportunity to off-shore expense claim processing to low cost locations. 32% of companies have taken the step of establishing a shared service centre for expense claims processing and one third of these companies have located the activity off-shore. The study explores this important area in further detail in Chapter 7 on Alternative Models.

Exhibit 35 Average back-office processing cost per expense claim; traditional vs. shared services (Sample of 54 companies)

<table>
<thead>
<tr>
<th>Cost (€)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>7.51</td>
</tr>
<tr>
<td>Shared services</td>
<td>2.38</td>
</tr>
</tbody>
</table>

The Role of Automation

The best performing companies in the study are those who have implemented fully automated expense management systems, defined as those incorporating HR and Finance integration as well as pre-population of corporate card data. The key functionality and benefits of these systems at each process step are:

- Pre-populated claim forms – for example with data from a travel booking system, corporate card and/or lodge card
- Online completion – with real-time checking of calculation errors, currency conversion and spend categorisation
- Electronic submission and authorisation – traveller declaration (and subsequent line manager approval) using a secure user-id is deemed to be a digital ‘signature’, receipts are submitted in hard copy
- Receipt scanning and bar coding – receipts are matched to the relevant expense claim and can be viewed online by the traveller, approver and audit team. It also enables digital archiving of receipts
- Automated policy checking – prompts the traveller for information, for example on spend over a certain value, and flags policy violations to the approver/audit team

- Integration with human resource and finance systems – incorporates HR parameters such as approval hierarchy, spend limits and employee cost centre, with expense claim data fed directly into the general ledger
- Expense reimbursement fully automated – independent of the monthly payroll system
- Management Information – systems can produce rich data to support spend tracking, policy compliance and supplier negotiations

The study confirms that the cost of processing expense claims reduces as the level of automation increases. Amongst the fully automated companies surveyed, the average cost per claim is €13.82 which is 50% lower than the average cost at a non-automated company. Furthermore, the cost per claim for best performing companies is €9.28.

Case Study – Wärtsilä

Best-Practice Processes in Automation

Expense claims are pre-populated with corporate card data and are submitted on a per-trip basis. Only 5% of expense claims require post-trip approval, as the emphasis is on pre-approval of spend along with a 100% expense claim audit policy.

Exhibit 36 Cost per expense claim; non-automated vs. fully automated (Sample of 54 companies)

<table>
<thead>
<tr>
<th>Cost (€)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-automated</td>
<td>27.81</td>
</tr>
<tr>
<td>Fully automated</td>
<td>13.82</td>
</tr>
<tr>
<td>2.38</td>
<td></td>
</tr>
</tbody>
</table>

The source of indirect cost savings achieved through automation of the expense claim process is two-fold:

- Front-office – reduction in the time spent by travellers, assistants and approvers (line managers) completing and reviewing expense claims with consequent improvement in productivity
- Back-office – introducing efficiencies into the expense claims processing tasks from receipt of claim through reconciliation to reimbursement. Efficiencies are realised through elimination of data entry, simplified audit procedures, routing and workflow

By decoupling the physical location of back-office staff from the expense claim process, automation facilitates the consolidation of the back-office to a single location thereby helping to achieve economies of scale. However, the impact of automation is also felt in the front-office where salary levels are higher, leading to additional time and cost savings.

Trends in Expense Claim Automation

Since the 2003 study, there have been a number of changes in the T&E automation marketplace. Many of the changes can be characterised as consolidation both in terms of number of suppliers, due to mergers and acquisitions, and functionality. The automated solutions available are now more mature, more robust, and offered in a variety of technical and pricing configurations to suit clients across a wide range of requirements. Expense processing in an automated or outsourced environment is now something many organisations have extensive experience with, and can be regarded as relatively mainstream. Suppliers have now built up business experience and expertise in addition to their technical capabilities and most countries in Europe have a number of proven solutions available in their market. Similarly, concepts such as Application Service Providers (ASP), which were relatively new and of niche appeal in 2003, are now popular and widely used by organisations of all sizes. Over the next few years we expect to see similar changes around end-to-end solutions featuring travel booking and expense claim integration. This is currently an area of great interest and debate, and wider adoption will provide useful insights on benefits and savings in the coming years.
Since 2003, the most dramatic increase in automation has been in the download of corporate card activity data directly into expense claim systems. Whereas in 2003 this functionality was used by only 27% of companies, in 2008 this has risen to 47%. Participants in 2003 were not asked specifically about the use of receipt scanning, bar-coding and digital archiving. Nevertheless, since uptake of this technology is fairly recent, it is likely that many of the 29% of companies who stated that they apply this technology have implemented it since 2003. However, looking to the immediate future, the largest single category of respondents to the 2008 study indicate that they will be investing in the automation of submission and approval (27%) followed by general ledger integration (24%).

As shown in Exhibit 39 Method of automation in expense claim processes; 21-30% of companies are using ERP systems to automate elements of their expense claim processes, making this the most prevalent method of automation. Single purpose solutions are the second most common having been implemented by 15-23% of participants, depending on the activity.

Reclaiming VAT

Value Added Tax (VAT) is imposed by governments at each stage in the production of a good or service. For foreign or non-resident business travellers, some VAT can be reclaimed by EU countries. For domestic expenditure, the reclaimable VAT covers most legitimate business expenses.

VAT reclaim continues to be a missed opportunity for many companies. Across all respondents in the study the average reclaimed was the equivalent of only 1% of direct T&E spend, while best-practice companies achieve 4% of ground spend (excluding air). No VAT at all is reclaimed by 39% of participants. Since 2003, there has been little change in the proportion of companies reclaiming VAT either in their own country (29%) or cross-border (8%).

Automated expense claim systems can facilitate VAT reclaim by providing more detailed information on relevant transactions. Nevertheless, the lengthy processes and specialist knowledge required to file reclaims in multiple tax jurisdictions remain barriers to improving performance.
Many participants in the study report that they do not yet have the necessary Management Information required to tackle cross-border VAT reclaim. Several commented that they have current initiatives which aim to increase the level of both domestic and cross-border VAT that is reclaimed by their company. However, currently, only around one third of companies have a systematic approach to VAT reclaim.

Best-Practice for VAT Reclaim

Access to accurate transactional data is the cornerstone of successful VAT reclaim. Companies should leverage existing systems and suppliers and wherever possible extract and audit domestic and international payment data to determine the VAT reclaim opportunity. Potential data sources include:

- Payment & Reporting Systems
- Corporate payment cards
- Accounts payable, procurement and payment systems

In addition, there is an opportunity to flag VAT invoices in automated expense management systems and leverage existing processes and service providers to collect targeted VAT invoices effectively. Negotiations with preferred suppliers should include terms to facilitate the gathering of valid VAT invoices. Third party scan and archive service providers can specifically work to co-operate with VAT invoice collection. Finally, many best-practice companies outsource cross-border VAT reclaim activity to specialist providers and ensure accountability in the recovery process via benchmark and results reporting.
Chapter 7: Alternative Models

Shared Services, Outsourcing & Off-shoring

The study considers three common alternative approaches to the management of T&E processes:

- **Shared service centres** – a form of consolidation. Activities associated with a particular process which may be decentralised and fragmented are brought together into a single location. For example, a company may bring processing of all Expense Claims for all business units together into a single location.

- **Outsourcing** – the use of a third party to conduct activities which the organisation itself would otherwise have to complete. For example, using a specialist service provider to carry out cross-border VAT reclaim on behalf of the company.

- **Off-shoring** – replacing domestically supplied service functions with services produced in another location, usually a lower cost country. A company can source off-shore services from either an unaffiliated foreign company (off-shore outsourcing) or by investing in a foreign affiliate (off-shore in-house sourcing).

All three approaches are typically applied to back-office activities which are considered “non-core” to the business in the sense that they are usually neither strategic nor revenue generating.

Furthermore, completing activities in one location, in a consistent manner, using a single set of tools, enhances the ability to capture higher quality data and thereby derive better Management Information.

Shared service centres and outsourcing both facilitate the transfer of activities off-shore. Whether this is considered a desirable additional step for the company depends on a number of factors, including its home country location, commercial objectives, corporate culture and organisational capabilities.

Findings from the Study

Well over half (69%) of the companies in the study state that they currently use some form of shared services model for at least one of their T&E management processes, while slightly fewer (45%) currently use outsourcing. Almost one quarter of all participants indicated that they may move to this model for one or more of their processes in the next 12-18 months.

In total, 21% of the participants in the study have chosen an off-shore location for their shared service centre or outsourced service provider and nearly half of these were companies based in the UK. There are a number of reasons which may make off-shoring particularly attractive to companies based in the UK, including:

- Higher factor costs in the home market
- Greater ease of restructuring the workforce compared to some other European countries
- The ease of finding English speakers abroad

The study indicates that non-UK companies will increasingly follow the lead of their UK counterparts and move functions and activities off-shore. Respondents from the Nordic countries in particular indicated that they are likely to consider doing so in the next 12-18 months. These companies appear to favour a shared service centre model rather than outsourcing.

Key Drivers of Alternative Models

The key reasons for a company to consider alternative models for T&E management processes are broadly as follows:

- **Economies of scale** – bringing together what are often high volume and repetitive tasks allowing the process and resource to be streamlined.

- **Efficiencies through access to specialist skills or resources** – when undertaking activities which are highly specialised and require expert knowledge or tools that are difficult or expensive to acquire, companies may benefit from concentrating such activities into a dedicated resource centre, or leveraging the abilities of a specialist provider.

- **Automation** – reducing the need to roll-out and support systems and tools across different parts of the company by standardisation and simplification or by making use of infrastructure already available from an external party.

- **Control** – to support the monitoring of compliance and enforcement of policy by ensuring a consistent approach.

Furthermore, completing activities in one location, in a consistent manner, using a single set of tools, enhances the ability to capture higher quality data and thereby derive better Management Information.
For the companies that have already moved operations off-shore, India, Poland and Ireland are the most commonly selected off-shore locations. Ireland was also the most popular off-shore destination for respondents that intend to pursue this model in the next 12-18 months. Interestingly, for a few companies, there has already been a reversal of attempts to employ such alternative models. In particular, there appears to have been a reversal of outsourcing, with 17% of companies indicating that they have brought some activities back in-house after outsourcing. The principal reasons for the reversal were disappointment with service levels and a revision of the initial cost-benefit analysis, suggesting in some cases that it was in fact cheaper to provide some services in-house. This emphasises the need to balance a desire to achieve increased efficiency and productivity with considerations of quality and service when negotiating an outsourcing contract.

Shared Services

The study indicates that, within T&E business expense management, shared service centres are used across a broad range of activities but are most commonly used for central billing and expense claim processing. Since adoption of the shared services model is relatively high in financial administration generally, it is not surprising that these accounting-related processes are prominent. 41% of companies indicate that they have shared services for central billing and 32% for expense claims. These are also the two processes most likely to be off-shored to lower cost locations. In the next 12-18 months, central billing and expense claim processing will remain the primary focus for the use of a shared services model, with 8% of companies expecting to implement this for each process.

Moving to a shared service centre model can provide a 71% saving on unit cost by consolidating activities (£0.23 compared with £0.81). In expense claim processing, the back-office saving is even more significant at 68%. The cost savings are a combination of economies of scale and where applicable, reduced salary costs from establishing the shared service centre in a low-cost location.

Outsourcing

Based on the responses of the study participants, outsourcing is significantly less widespread than shared services. In fact this approach has only been employed to any great extent for travel booking, where 38% of respondents indicated that they had outsourced this activity and 14% stated that they are likely to do so in the next 12-18 months. It is not surprising that this activity should be the first to which outsourcing is applied. Corporate travel is a mature market with a significant choice of suppliers. It is also a non-core activity and one which is amenable to management by a third party under a contract. Furthermore, to be carried out most effectively, it requires some specialist knowledge and booking systems connected to the major suppliers, particularly the airlines and hotel chains.

VAT reclaim is also an activity which many companies consider can benefit from an outsourced model, and this is currently the activity most likely to be off-shored. The cumbersome processes and specialist knowledge required to file reclaims in multiple tax jurisdictions make it attractive to outsource. Of the companies in the study, 14% have already outsourced VAT reclaim and 8% are considering doing so in the next 12-18 months. Furthermore, since VAT reclaim firms typically charge their fee as a proportion of the amount reimbursed, costs are fully variable and do not require significant investment. Therefore, essentially VAT reclaim becomes self-funding.

Case Study – Wärtsilä

Wärtsilä Achieves Economies of Scale via Global Platform and Employing Alternative Models

“We achieved economies of scale by selecting single global partners for corporate card and travel agency services”

Ann Cleveland-Oey, Head of Travel Programme, Wärtsilä

With operations in 70 countries and circa 15,000 employees travelling around the world, Wärtsilä chose to adopt a global platform with an SAP backbone that integrated HR and ERP systems. Today, Wärtsilä operates shared service centres (SSCs) in Finland, the Americas and Asia, handling central billing, expense claims handling and processing, and trip booking (with the exception of the online booking tool, which is accessed directly by the traveller). With this single global platform, Wärtsilä achieved significant cost and productivity benefits, and high user satisfaction.

The benefits of the shared service model are typically seen in back-office costs. Evidence from the study suggests that in both of the processes where shared service centres are most common (central billing and expense claims) significant cost savings can be realised.
For expense claim processing, 6% of companies currently outsource, possibly because this has only recently become an area of focus for expense automation vendors. While it is anticipated that this will become a much more popular choice in future, interest currently seems relatively limited with only 5% of companies planning to outsource expense processing (on-shore and off-shore) in the next 12-18 months.

Exhibit 47 Use of outsourcing
(Sample of 66 companies)

The cost savings achievable by outsourcing activities, whether on-shore or off-shore, are not quantifiable in the context of this study since the indirect costs, by definition, have been externalised. They have been replaced by the cost of the contract with the third party service provider who has taken over the responsibility for the activities and such costs were not within the scope of the study.

Appendix I: Methodology

The study was conducted over a period of four months and was performed by a joint team of consultants from American Express Business Solutions and A.T. Kearney.

All respondents completed a web-based study of over 100 quantitative and qualitative questions.

The study sample comprised sixty six companies in ten European countries, from over eight industry sectors:

Exhibit 48 Participant profile by industry and country
(Sample of 66 companies)
Multinational and large national companies, averaging 18,000 employees and 5,500 travellers, were the participants in the study. Using information provided by respondents, we calculated indirect costs as consisting of:

- **Communication costs** – to include phone or e-mail
- **IT costs** – expenses incurred maintaining automation tools and acquiring software (based on average license price)
- **Time costs** – the salary cost of time spent by employees (including travellers, line managers, assistants, accounting and IT staff on T&E related activities). Consistent assumptions were used across all participants and no account was taken of national variations.

Hours per week and number of working days per year were taken as standard across all countries, and salary levels were determined by hierarchical level regardless of country.

Three types of benchmarks were calculated:

- **European benchmarks** – based on all participants.
- **Automation benchmarks** (from paper-based to fully-automated) – based on all participants, per level of automation by process, including travel request, trip booking, cash advances, central billing and expense claims.
- **Performance benchmarks** – three types of performance-based benchmarks were calculated using the weighted average unit cost across all participants within a defined percentile. The three performance benchmarks are: Best performance, Average performance, Lower performance, (each defined further in the Glossary).

### Appendix II: Glossary and Definitions

**Activity** – An activity is a unit of work that contributes toward the accomplishment of a travel & related business expense management process. See also “Process”.

**Automated** – See “Non-automated”, “Semi-automated” and “Fully automated”.

**Approvers** – Employees, typically line managers, with responsibility for reviewing and approving travel and expenses.

**Arranger** – See “Travel Arranger”.

**Assistants** – Employees, typically administrative assistants or personal assistants (PAs) to whom tasks, such as planning and booking trips or submitting expense claims, may be delegated.

**Back-office** – The internal operations of an organisation that are not accessible or visible to the customer. Typically, the term is applied to the non-revenue generating administrative activities which may be high volume and repetitive, for example auditing expense claims. See also “Front-office”.

**Bookings** – All travel arrangements which are scheduled and reserved in advance of the trip, including transportation, accommodation, etc.

**Business Trip** – Includes all components, including airline tickets, hotel nights and car rental.

**Business Traveller** – Individual who incurs expenses on behalf of the company through travel and/or entertainment inherent to business responsibilities.

**CSR** – See “Corporate Social Responsibility”.

**Carbon Emissions/Carbon Footprint** – The term carbon footprint is commonly used to describe the total amount of CO₂ and other greenhouse gas emissions for which an individual or organisation is responsible. Calculating an organisation’s carbon footprint can be an effective tool for ongoing energy and environmental management. Having quantified the emissions, opportunities for reduction or offsetting can be identified and prioritised.

**Cash Advance** – Monetary funds, sometimes in a foreign currency, provided to a business traveller prior to a trip for the purposes of meeting day-to-day living expenses, e.g. meals, local transportation, etc. See also, “Working Allowance” and “Temporary Advances”.

**Central Billing** – The concept of paying T&E centrally is defined here as central billing. Either travellers sign but do not pay the invoices which are directly sent by suppliers to the Accounting department for payment. Or the designated Travel Agent charges transactions for multiple/all travellers to a single virtual lodged card which is reconciled and settled centrally by Accounting.
Centrally Billed Categories – All those types of expense (e.g. air travel, hotel accommodation, etc.) for which arrangements are in place whereby all invoices are sent to, and settled by, the company rather than the individual, whether this is via a designated Travel Agent or directly.

Compliance – In this context compliance refers only to employee adherence to internal corporate travel policy, regardless of where this is set and enforced, rather than company adherence to local, national, regional and industry regulations governing expense report submission, which the company may or may not address in their policy.

Corporate Card – Individual Card provided by the company to its employees to pay for their travel and related business expenses.

Corporate Social Responsibility – The voluntary integration of corporate social and environmental concerns to the commercial operations and in relations with other concerned parties. Not only is this to meet the applicable national, regional (e.g. EU) and industry obligations but also to go beyond this by investing in human capital, in the environment and in the relations with the related parties (ref. The Green Book of the European Commission).

Dedicated Shared Service Centre – See “Shared Service Centre”.

Electronic Invoice Presentment and Payment (EIPP) – A web-enabled solution between trading partners available in three main models: Supplier centric (one-to-many relationship linked to the back-office receivable system); Buyer centric (buyer requires sellers to post invoices to its EIPP system linked to Accounts Payable); Consolidator model (many-to-many relationship hosted by a third party who collects invoices from multiple sellers for multiple buyers).

Enterprise Resource Planning (ERP) solution – ERP is a suite of software applications including financials, manufacturing, human resources and other modules, that together automate the back-office business administration functions of an enterprise.

Expense Claim – The documentation submitted by an employee for reimbursement of a monetary amount on the basis that it was incurred in relation to business related activities, usually travel and entertainment.

FTE – See “Full-Time Equivalent”.

Full-Time Equivalent – Full-time equivalent (FTE) is a way to measure an employee’s involvement in a specific project or process. An FTE of 1.0 means that the person(s) is equivalent to a full-time worker, while an FTE of 0.5 means that the individual is working on a task only half the time. Similarly, two employees each working half of their time on a particular task or activity would constitute an FTE of 1.0.

Fully Automated – Processes or activities which are entirely integrated into I.T. systems or tools which are designed to increase efficiency and/or accuracy. No additional manual steps are necessary and there is no paper-based component other than supporting receipts.

Front-office – Staff, teams or functions (together with their supporting processes and systems) which are involved in revenue generating or client facing activities, for example the sales force, account managers, service engineers or consultants. See also “Back-office”.

In-house – Functions, processes or activities which are carried out by the company itself rather than outsourced to a third party under a contract.

Integrated With Travel – An integrated Expense Claim and Travel Booking system (end-to-end).

Invoice (per Central Billing) – Statement line item or transaction, e.g. one monthly statement can have a series of invoices, each invoice pertaining to a line item.

Invoice Workflow Management System – This refers to a general workflow management system, rather than a system which has been created or implemented specifically for travel & expense management.

Lodge Card – Virtual card used for multiple travellers and lodged at the travel agent to pay for transportation invoices.

Manual – See “Non-Automated”.

Negotiate – In the context of travel & related business expense FTE management, this term is used to indicate the entering into contracts or other company-level agreements with preferred suppliers of products or services in advance of any individual bookings being made in order to benefit from beneficial rates and/or terms.

Non-automated – Processes or activities which are completed on an entirely or predominantly manual basis with little or no use of I.T. systems or tools. Such processes and activities typically have a significant paper-based component.

For the purposes of this study, non-automated includes use of basic Excel spreadsheets and paper statements from corporate card suppliers populated with transaction spend information.

Outsourcing – The use of a third party to conduct activities which the organisation itself would otherwise have to complete. For example, using a specialist service provider to carry out cross-border VAT reclaim on behalf of the company.

On-shore – Functions, whether carried out in-house or outsourced, which are located in the same country as the part(s) of the organisation they serve.

Off-shore – Functions, whether carried out in-house or outsourced, which are located in a (usually low cost) country different to that of the part(s) of the organisation they serve.

Per Diems – Company-operated daily allowance for living expenses or statutory time-based fixed allowances not requiring receipts.

Permanent Advance – See “Working Allowance”.

Personal Spend – Expenditure, typically travel and entertainment expenses, which are not related to business activities and for which it would not be legitimate for the employee to submit an expense claim to their employer.

Policy – The body of rules that guide and control acceptable behaviours and how exceptions will be managed. For example, the requirement to submit an expense claim on a monthly basis.

Pre-trip Authorisation – Approval received for a business-related trip prior to that trip being booked or completed.

Process – The specific sequence of activities carried out by those involved in the booking, execution and administration of business travel and related expenditures. For example, the steps a traveller performs to submit an expense claim. See also “Activity”.

Salary – Where this term is used it refers to “fully loaded” salary, i.e. including relevant taxes, pension contributions, car allowance and other guaranteed components of compensation, but excluding discretionary or variable components such as bonuses.

Self-booking Tool – Depending on the context this can be either an internet-based tool used to book trips, using an intermediary to ticket, etc. that is not a contracted travel agent or a booking tool with inbuilt policy controls connected to the agent’s Global Distribution System.

Semi-automated – Processes or activities which rely partly on I.T. systems or tools but which also retain a significant number of manual steps and for which there may be a residual paper-based component. For the purposes of this study, semi-automated also includes provision of paper statements from corporate card suppliers with transaction spend information with data feeds to eliminate manual keying.

Shared Service Centre – The shared service model is a form of consolidation. Activities associated with a particular process which may be decentralised and fragmented are brought together into a single location, for example, a company may bring processing of all Expense Claims for all business units together into a single location.

Single Purpose Solution – A dedicated system or tool relating to one particular process which is not integrated into any other aspect of travel and expense management, e.g. a dedicated expense process automation system.

Supplier Central Invoices – Invoices submitted by a supplier directly to the company under central billing arrangements.

Sustainability – Sustainability is to ensure that conditions of our present generation will not compromise the ability of future generations to meet their own needs. For the business enterprise, sustainable development means adopting business strategies and activities that meet the needs of the present economic development, social wellbeing and environmental protection.

System – The physical and organisational infrastructure that supports the key processes which may involve varying levels of automation. For example, an expense claim system that automatically pre-populates an electronic claim form with data derived from a corporate card.

T&E – See “Travel & Related Business Expenses”.

T&E Related Carbon Emissions – That portion of an individual’s or organisation’s carbon footprint (CO2 emissions) which is attributable to the consumption of products and services associated with T&E (e.g. air travel, hotel accommodation, taxi rides, etc.).
Telecommunications – Includes mobile phones (when included in travel expense), calling cards (e.g. MCI), pre-paid phone cards, phone usage in hotels (where itemised) and Blackberry/Wi-Fi.

Temporary Advances – Sum of money provided for a particular trip and to be used towards T&E. Normally requires reconciliation on return from trip. Also includes ‘emergency cash’. See also, “Working Allowance” and “Cash Advances”.

Traveller – See “Business Traveller”.

Travel Arranger – An individual, often an administrative assistant or personal assistant (PA), with responsibility for planning and booking business trip components (e.g. air travel, hotel accommodation) on behalf of the Business Traveller.

Travel Authorisation – See “Pre-Trip Authorisation”.

Travel & Related Business Expenses (T&E) – Includes all travel and business related expenses (air travel, entertainment, hotel accommodation, meals, telecoms, etc.) but for the purposes of this study excludes any meetings and events expenditure which is managed through a central conference function.

Travel & Expense Management System – An I.T. system and the related software that integrates the processes and procedures used by an organisation to process, pay and audit expenses incurred by employees in the course of doing business. These costs include, but are not limited to, travel and entertainment expenses.

Travel Request – A submission made by (or on behalf of) an employee for the purposes of obtaining prior approval for a business trip.

VAT – Value Added Tax (VAT), or Goods and Services Tax (GST), is tax on exchanges. It is levied on the added value that results from each exchange. It differs from a sales tax because a sales tax is levied on the total value of the exchange. Organisations located outside the country assessing the VAT may request a refund of this tax that can be as high as 21% of the item cost. Original receipts are required to reclaim the tax. Companies may outsource this function.

Workflow Management System – A workflow automation product that allows a company to create a workflow model and components such as online forms and then to use this product as a way to manage and enforce the consistent handling of work.

Working Allowance – Fixed sum of money/float that is provided to all/some employees to use towards business travel expenses. This working allowance is returned to the company when employees leave their position. See also, “Cash Advances” and “Temporary Advances”.

### Appendix III: Assumptions

Consistent assumptions have been used across all participants:

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