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Spend Insights

How the Pandemic Has Altered Spend and Introduced Risk

Overview

The pandemic has disrupted business practically overnight in 2020, mandating remote work and grounding nearly all travel. While business travel starts increasing in 2021, many organizations around the world are planning to continue remote or hybrid working model to a certain degree.

This abrupt shift to remote work has been a primary driver of spend patterns that introduced new types of risk. In this report, we'll review what we've uncovered about changing spend patterns and behaviors in 2020 from SAP Concur customer spend data and highlight two expense types organizations should closely monitor to manage risk effectively no matter what lies ahead.

Risk Increases Nearly Threefold

T&E spend has been down across the board since March, but purchase activity in more risky categories, such as miscellaneous stores, has fallen just 2X below pre-pandemic levels, whereas airline spend has declined roughly 12X below pre-pandemic levels. As a result of this shift, high-risk categories have accounted for a greater portion of overall spend, which sheds some light on why risk has nearly tripled.

OUR YOY COMPARISON OF 2019 TO 2020 SHOWS:

55%

decrease in
T&E Spend

292%

increase in T&E Spend
Violation Rate



Remote Work Invites High-Risk Spend

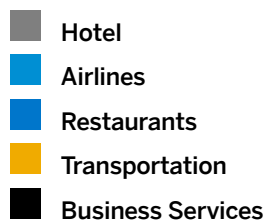
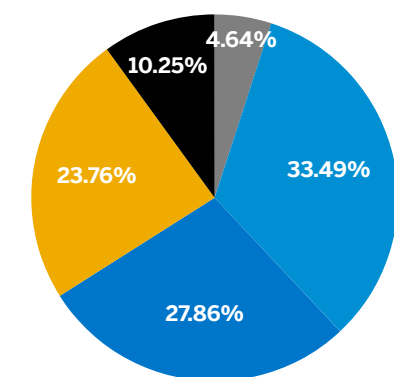
Before the pandemic, 4% of employees worked remotely. But by mid-March, roughly 40- 55% were working from home and needed an assortment of electronics, phone/internet, and office equipment and supplies to do so. In fact, spending to support remote work was 7X higher in 2020 than in 2019.

The bulk of these work from home purchases were spread across two high-risk spend categories -- miscellaneous stores and mail/phone order – which include computer and electronic stores and major retailers, such as Amazon. These categories are deemed risky because merchants often sell a variety of items, making it difficult to parse out allowable purchases from non-compliant ones. For instance, our customers have seen big screen TVs, soundbars and even a rifle silencer expensed for work-from-home setups.

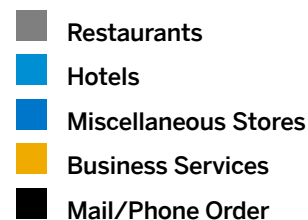
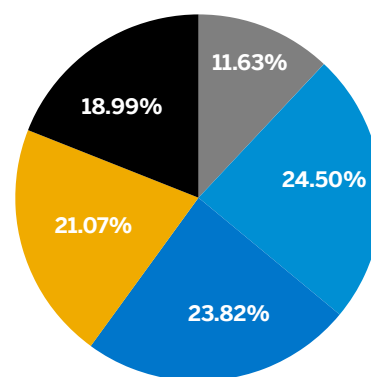
Miscellaneous and mail/phone order spending remained inflated in Q3 2020 as organizations experienced a second wave of work-from-home expenditures. Initially, many assumed employees would be returning to the office within a matter of weeks. When some organizations extended remote work indefinitely, they incurred additional work-from-home expenses in Q3 2020.

In Q4 2020, miscellaneous stores and mail/phone order spend accounted for 33% spend — down from Q2 (37%) and Q3 (37%). Hopefully, this is a sign that work-from-home spend is normalizing and that e-procurement channels and other controls are working to effectively address spend risk in these areas.

TOP 5 SPEND CATEGORIES – Q4 2019



TOP 5 SPEND CATEGORIES – Q4 2020





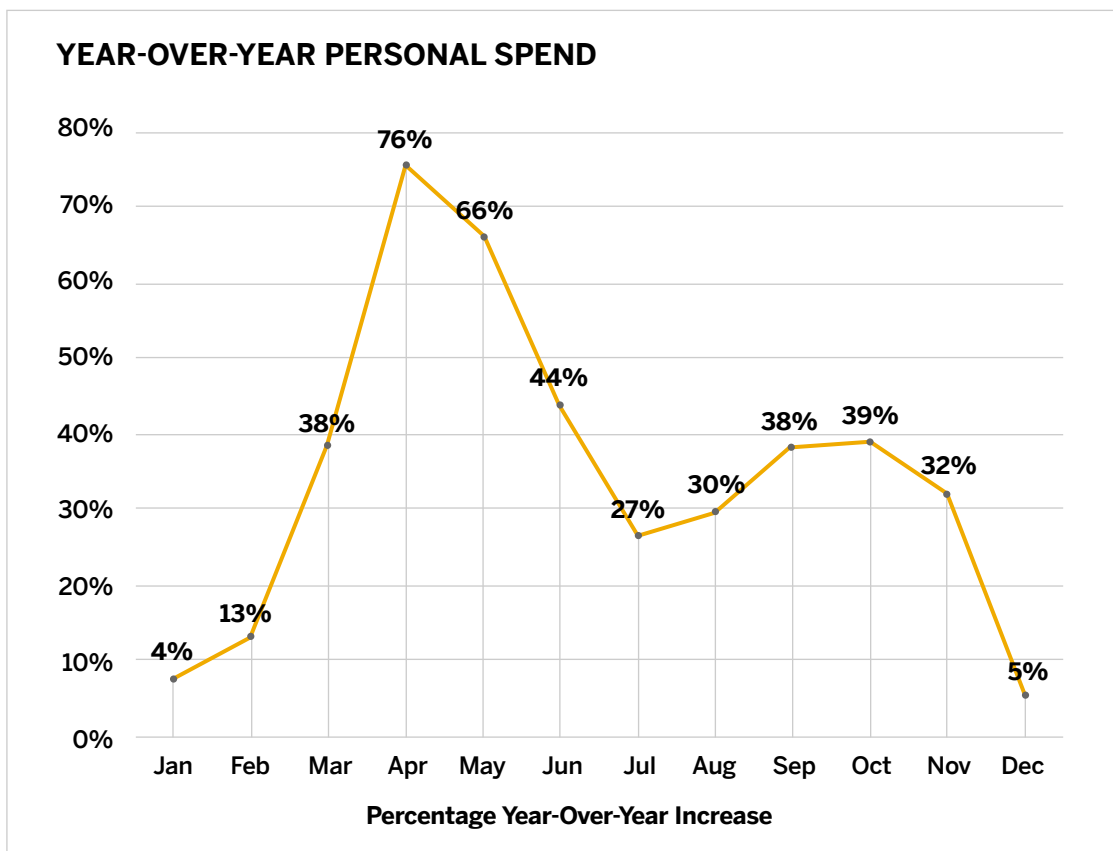
Suggested Actions

- Closely monitor spend in high-risk categories as remote work continues. Home office expenditures will continue to trickle in and could increase spend with merchants, such as Amazon and Staples, as employees replenish supplies.
- Remind employees about policies and processes that have been revised due to remote work arrangements.

Two Expense Types to Watch

PERSONAL EXPENSE

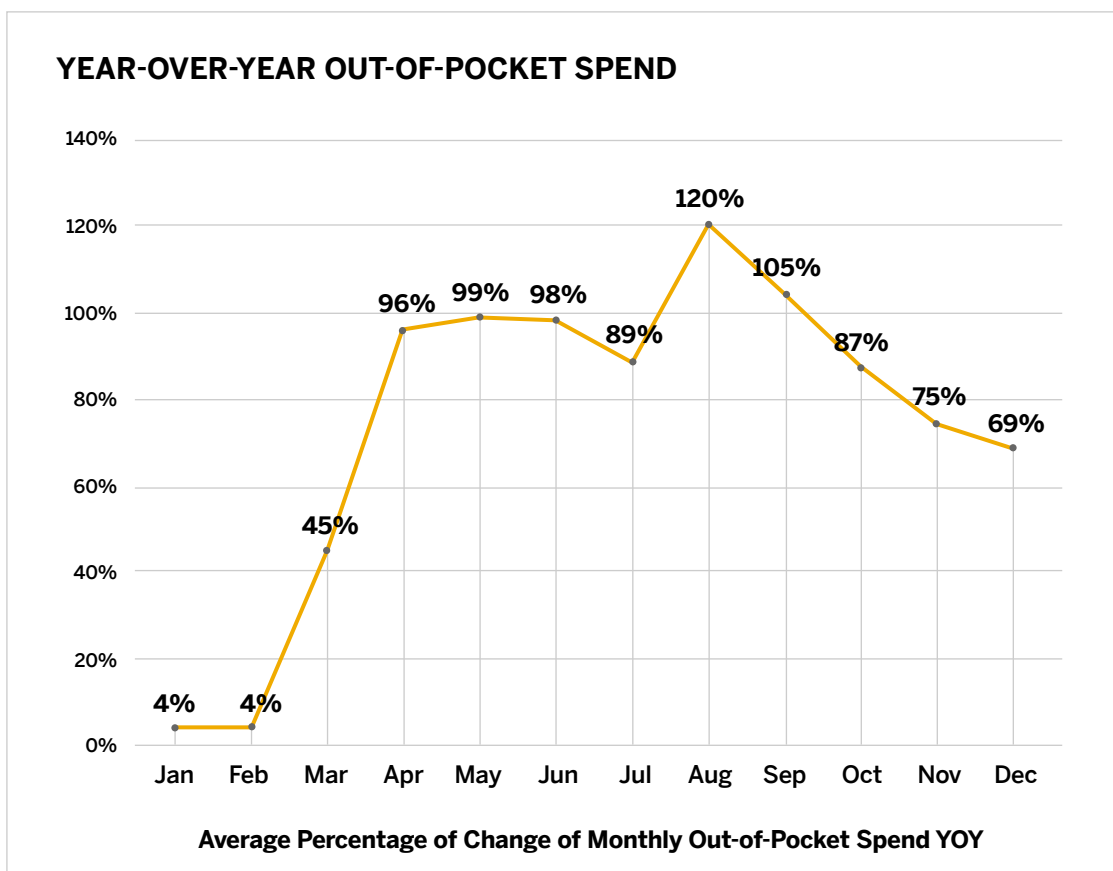
Using a corporate card for a personal expense is a fairly universal policy violation. It's also a potential indicator of personal distress or concern, which could have contributed to the 76% spike in April. As the economic outlook weakened, some organizations began cutting salaries, and laying off or furloughing workers. Employees feeling financially strained or disgruntled may be more likely to take liberties with corporate cards. By December, the increase in personal spend was less dramatic but was still elevated compared to 2019 and remains an area of risk to monitor.

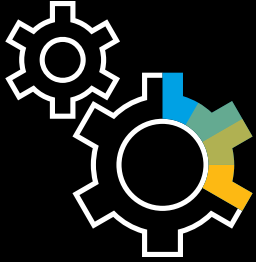


OUT-OF-POCKET SPEND

Out-of-pocket spend has been elevated since March 2020 when organizations encountered an influx of new spenders. Many employees who transitioned to remote work didn't have company cards and used personal funds to cover home office needs. When employees started submitting these expenditures for reimbursement, out-of-pocket spend began to surge.

Interestingly, the upticks in Q3 2020 coincide with the start of the school year, meaning it's possible that school and office supply purchases were commingled either intentionally or inadvertently. We've seen such instances in the past, and it's a prime example of how out-of-pocket spend invites risk. Organizations have limited visibility into out-of-pocket transaction data, making it challenging to discern whether purchases violate policy. Fortunately, out-of-pocket spend has been trending down slightly since Q4 2020, but levels are still extremely high compared to those prior to March 2020. Organizations should continue to closely monitor this activity as it accounted for more than 17% of spend violations in 2020.





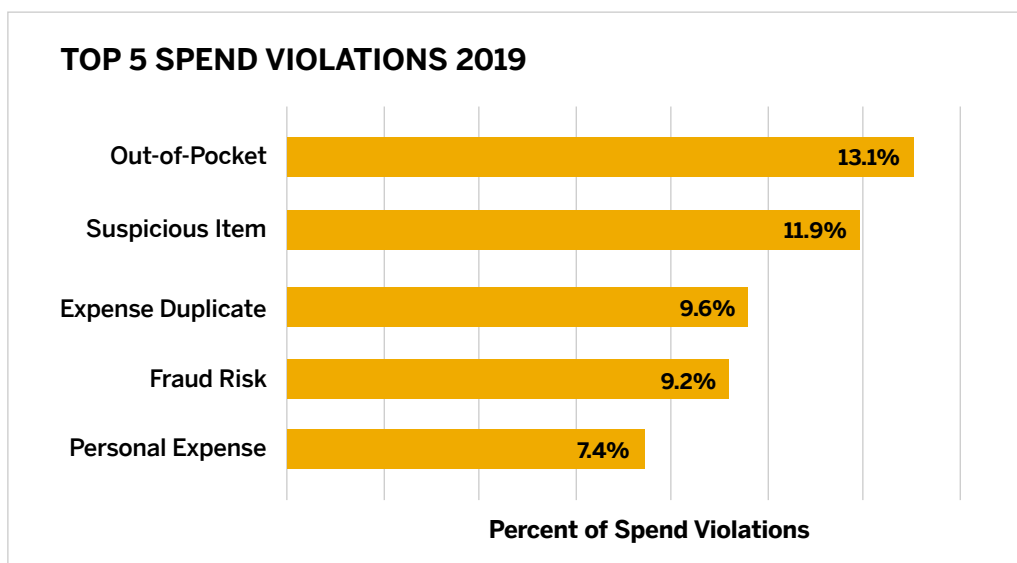
Suggested Actions

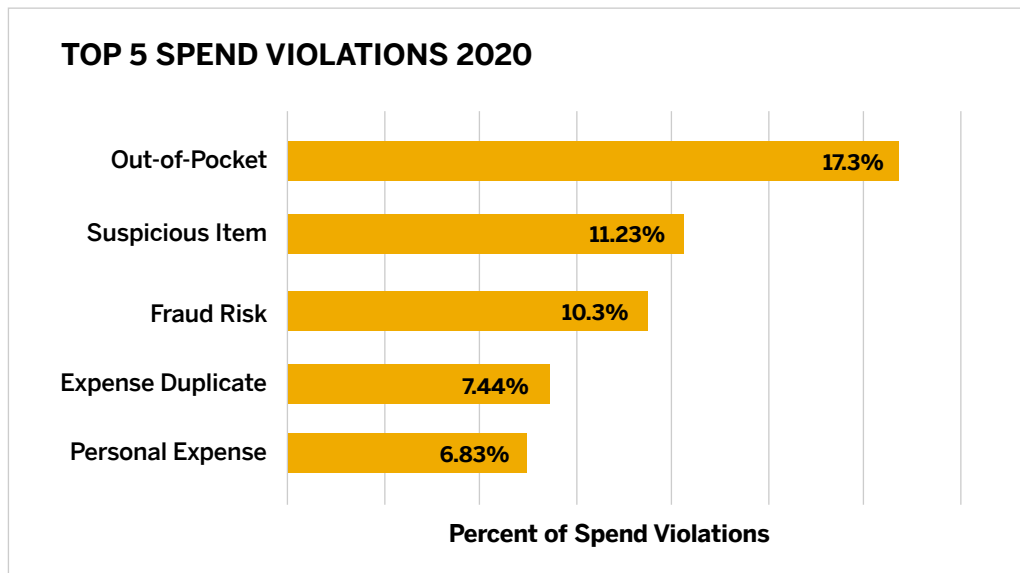
- Although personal expense activity appears to be normalizing, it's worthwhile to monitor this activity and know your repeat offenders. These individuals could be testing the waters and may attempt other unrelated fraud.
- If remote work is continuing for your organization, consider expanding your card programs or establishing e-procurement channels to curtail out-of-pocket purchases. Automating transaction monitoring of e-procurement and card spend is also available to provide 100% visibility into purchases and help manage costs.

Top 5 Spend Violations

While the top five types of spend violations in 2020 were consistent with those of 2019, the shift in the order of 2020 rankings reflects the challenges organizations have encountered as they worked to adapt to changing spend patterns and behaviors. Given the chaos that ensued with the shift to remote work, out-of-pocket and fraud violations have climbed by 32% and 12% respectively.

The YOY increases are likely the result of limited expense policy awareness among the new and much larger population of corporate spenders. Our analysis revealed that 33% of the out-of-pocket spend violations in 2020 were attributed to employees who did not have a corporate card, compared to just 6% in 2019. Purchases at electronic and software stores accounted for most of the fraud violations in both 2019 and 2020, so it's advisable to scrutinize purchases with such merchants on an ongoing basis.





Purchase Activity to Monitor

In addition to electronic and computer software stores, the top five spend violations in 2020 were linked to purchases with the following types of retailers:

Restaurants – Food delivery services, such as Uber Eats and DoorDash, accounted for most of the restaurant spend in 2020. Because of social distancing guidelines, sales and other customer-facing teams often had meals delivered as a way to stay engaged. It has been challenging for companies to assess whether these purchases were for legitimate business reasons or personal meals.

Grocery Stores – Our analysis shows that gift cards are frequently purchased at grocery stores. Like meal deliveries, gift cards have been another tactic sales teams have used to stay in touch with customers. This activity contributed to 8% of suspicious item spend violations in 2020.

Book Stores – Amazon accounted for more than 70% of spend in this merchant category. Because this retailer sales everything from electronics to prefabricated homes, the risk of out-of-policy spend is high.

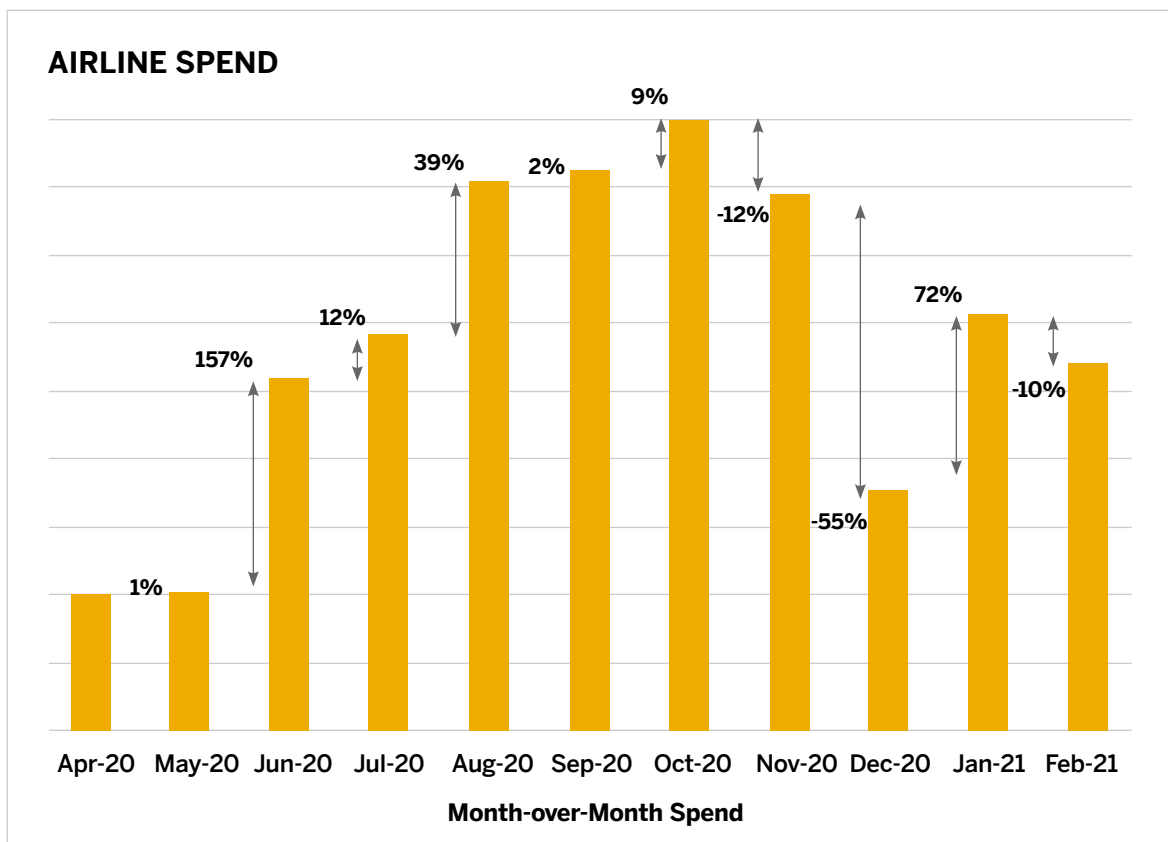


Suggested Actions

- Focus extra auditing effort on purchase activity with merchants commonly associated with spend violations at your organization. If you have automated transaction monitoring, risky transactions are flagged and prioritized for you.
- Consider expanding your expense policy education to employees who don't hold corporate cards to address violations related to excessive or suspicious out-of-pocket spending, gift card purchases, etc.

Airline Spend Update

Airline travel is likely to parallel the timeliness of loosening government restrictions and the introduction of return-to-work policies. Although some industries and job types are resuming travel, TSA checkpoint numbers show that average daily traveler throughput levels are just 40-60% of pre-pandemic levels.



Together, SAP Concur and Oversight Systems **can help transform how your company finds and manages spend risk – no matter where it resides**

There's no doubt 2020 made a lasting impact on how organizations do business and transformed their need to service their employees and customers, particularly with regards to the solutions and technologies that became vital to continuity. We've heard our customers tell us that compliance requirements continue to evolve and shape their business operations, and they want the ability to choose technologies that fit their unique needs. Now, more than ever, the need for visibility and control of expenses is imperative to a business's success.

According to Kevin Permenter, Research Manager at IDC, "Modern, automated solutions can help finance leaders ensure compliance despite frequently changing rules, requirements and business needs. A streamlined process can also deliver better financial outcomes while maximizing staff productivity, clear advantages for those looking to get ahead in this difficult economic environment."

Together with longtime SAP Concur partner, Oversight Systems, we are excited to address our customers' ever-evolving compliance needs and help their businesses grow and succeed in 2021 and beyond with a new solution extension: Concur Detect by Oversight.

Concur Detect by Oversight brings together Oversight's spend management and risk mitigation expertise with SAP Concur data and technology, simplifying an organization's expense audit and compliance program with embedded intelligence and automation. Unlike many approaches, Concur Detect by Oversight analyzes expenses both before and after payment to mitigate immediate risks, spot suspicious spend patterns across time, and prioritize risk to drive greater audit efficiency.

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