

Market Share

Worldwide Travel and Expense Management Software Market Shares, 2018: Simplicity and Scalability Driving Competitive Differentiation

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Jordan Jewell

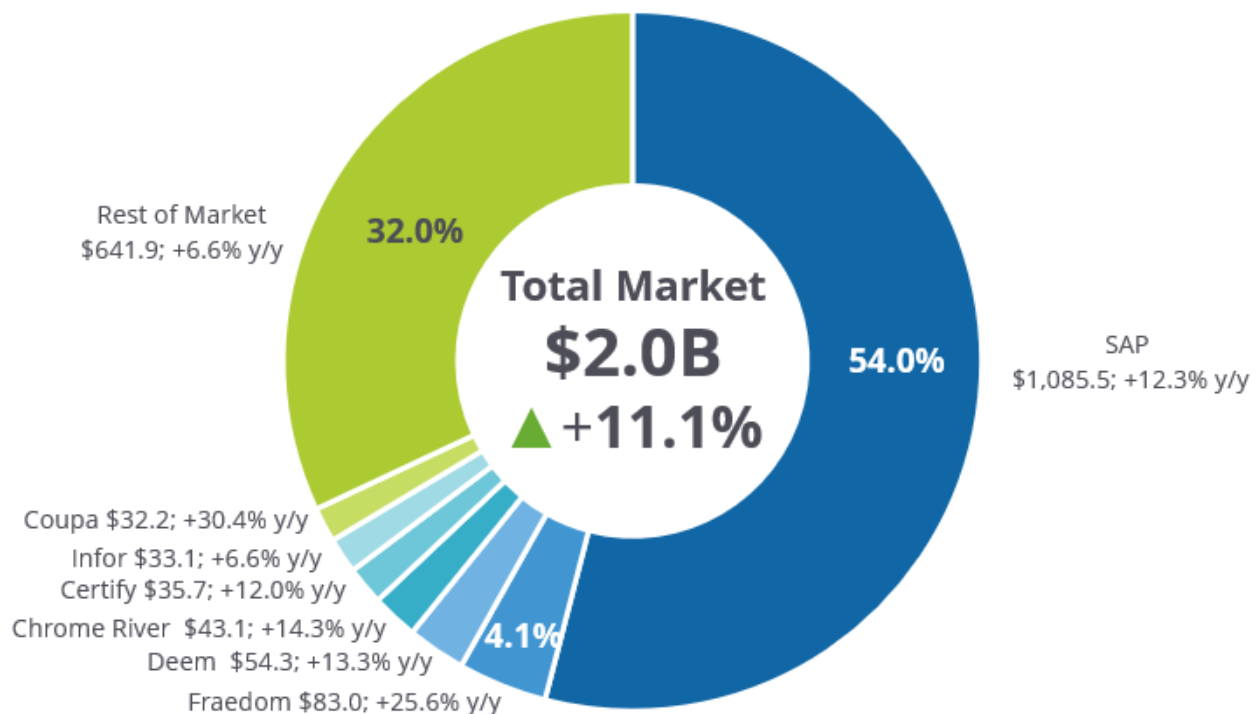
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THIS IDC MARKET SHARE EXCERPT FEATURES SAP

IDC MARKET SHARE FIGURE

FIGURE 1

Worldwide Travel and Expense Management Software 2018 Share Snapshot



Note: 2018 Share (%), Revenue (\$M), and Growth (%)

Source: IDC, 2019

IN THIS EXCERPT

The content for this excerpt was taken directly from Worldwide Travel and Expense Management Software Market Shares, 2018: Simplicity and Scalability Driving Competitive Differentiation (Doc # US45122619). All or parts of the following sections are included in this excerpt: Executive Summary, Market Share, Who Shaped the Year, Market Context, Appendix and Learn More. Also included is Figures 1, 2, 3, and 4 and Table 1 and 2.

EXECUTIVE SUMMARY

This IDC study reviews the competitive market for travel and expense (T&E) management software in 2018. The travel and expense management software market grew to \$2.0 billion, an 11.1% increase over 2017's \$1.8 billion. This is the second iteration of the IDC market share study covering the travel and expense management software market.

As businesses continue to expand internationally, companies' travel expenses continue to rise. As travel expenses rise, the risk for noncompliance and fraud grow rapidly. However, there is no magic formula to rid the business of the burden of noncompliance. Everyday organizations struggle to maintain compliance with the travel policies set in place and fight those that would look to subvert those policies. The key challenges are as follows:

- **People/process challenges to compliance:** In the end, every business comes down to people and processes. In many ways, the people/process barrier can represent the biggest challenge.
- **Lack of clear travel policies:** Many business travelers fall out of compliance when they fall into situations where no clear policies exist to use as guidance. Organizations must first define a clear and detailed travel policy.
- **Rubber stamping:** Managers often find it difficult to find the time to scrutinize expense reports. Even when manager find things out of place, there is often a hesitancy to challenge suspicious-looking expense claims.
- **Usage not ubiquitous:** In many organizations, a significant percentage of expenses never make it into the expense management system. The usage can also vary across the business groups.
- **Data/visibility challenges to compliance:** Coping with the massive amount of data within large travel departments is becoming a huge challenge to compliance. Reconciling, monitoring, and analyzing travel and expense data are some of the biggest pain points for end users.
- **Sheer volume of business travel data:** Many companies are simply flooded with data from business expenses. The volume of data makes it difficult to find compliance red flags before they become larger, more impactful issues.
- **Lack of analysis/insight capabilities:** Companies often lack the reporting and analytics to conquer the mountain of expense data from business travelers. This inability to "crunch" the data leads to a true lack of visibility into more sophisticated fraud schemes.
- **Globalization complexity challenges to compliance:** Travel and expense management is one of the most complex areas within the business as it touches so many aspects of the business. This is especially so in organizations with employees/operations in multiple countries.
- **Shifting regulatory landscape:** The regulations related to travel and expense management are constantly in flux on the global and a national level. The changes in tax codes and local laws serve to bring a tremendous amount of complexity to maintaining compliance.

- **Globalization issues:** Companies with employees traveling to multiple countries may have to deal with expense reporting in multiple currencies and multiple languages. Also, there are cultural elements that complicate expense reporting protocols from country to country.

This IDC study reviews the competitive market for travel and expense management software in 2018.

"Industry leaders need to leverage advanced technologies to augment their capabilities for streamlining approvals, combating fraud, and maintaining compliance. Many of these technologies have taken large leaps forward in terms of usability and accuracy over the past 24 months," said Kevin M. Permenter, research manager for Enterprise Applications with IDC.

ADVICE FOR TECHNOLOGY SUPPLIERS

Technology suppliers of travel and expense management software should consider the following:

- **Enhance consumerization:** The business travelers and travel managers are becoming more tech savvy every day. End users are looking for T&E applications that fit their business way of life better and provide a more consumer software experience. T&E applications are becoming more social, mobile, and conversational. Simply put, end users are looking for an expense application that is more and more consumer technology oriented.
- **Increase emphasis on ecosystem:** The travel and expense management process is best when it is integrated with ERP, AP, HCM, and CRM systems. T&E vendors must be aggressive in building out their partner ecosystem to include other related enterprise applications. Specifically, it is essential for vendors to utilize APIs to create prebuilt integrations that streamline the data flow between systems.
- **Prioritize user experience:** As the T&E processes are done in a relatively uniform way, vendors will likely find limited opportunity for differentiation related to the actual functionality of the software packages. The real battleground will be related to the user experience the vendor's software can provide. In fact, data from the most recent *SaaSPath Survey* of over 2,000 survey respondents reveals that "ease of use" is the most important vendor selection criteria among T&E software users.
- **Enhance globalization capabilities:** Travel and expense applications must support transactions across the globe. Major tax and regulatory changes will greatly impact travel and expense in the coming years. T&E software vendors must include enhancement to tax management and multicountry and multicurrency capabilities in their near-term product road map.
- **Focus on data security:** The financial management process can be a target for fraudulent behavior from internal (employees) or external (data breaches) threats. In fact, over the past three years, there have been several very high-profile examples of data security incidents where companies with inefficient financial processes were swindled out of millions of dollars. Vendors must equip their software with the latest data security protocols as well as fraudulent pattern detection capabilities to counteract looming data security threats.
- **Automate workflows:** T&E vendors must work to embed intelligence within the business workflows (travel booking, itinerary management, approvals, etc.) to unleash the full power of artificial intelligence. T&E vendors must utilize robotic process automation (RPA) or more advanced automation technology like machine learning to automate lower-level tasking within the applications: IDC expects this trend to continue and to be a key factor in determining market positioning among T&E software vendors in the future.

MARKET SHARE

Table 1 displays 2016-2018 worldwide revenue and 2018 growth and market shares for travel and expense management software vendors. Cloud applications dominate this submarket of financial applications because of pure-play cloud vendors such as SAP Concur, Coupa, Deem, Expensify, and Chrome River.

TABLE 1

**Worldwide Travel and Expense Management Software Revenue by Vendor,
2016-2018 (\$M)**

	2016	2017	2018	2018 Share (%)	2017–2018 Growth (%)
SAP	864.4	966.3	1,085.50	54	12.3
Fraedom	56.4	66.1	83	4.1	25.6
Deem	42	47.9	54.3	2.7	13.3
Chrome River	28.8	37.7	43.1	2.1	14.3
Certify	28.5	31.9	35.7	1.8	12
Infor	28.4	31.1	33.1	1.6	6.6
Coupa	17.3	24.7	32.2	1.6	30.4
KDS	22.7	26.2	30.2	1.5	15.2
Deltek	21.6	27.8	31.6	1.6	13.6
Rydoo	19	24.9	29.6	1.5	19
Expensify	16.9	22.8	26.7	1.3	17.4
Other	476.7	500.6	523.7	26.07	4.61
Total	1,622.40	1,808.10	2,008.80	100	11.1

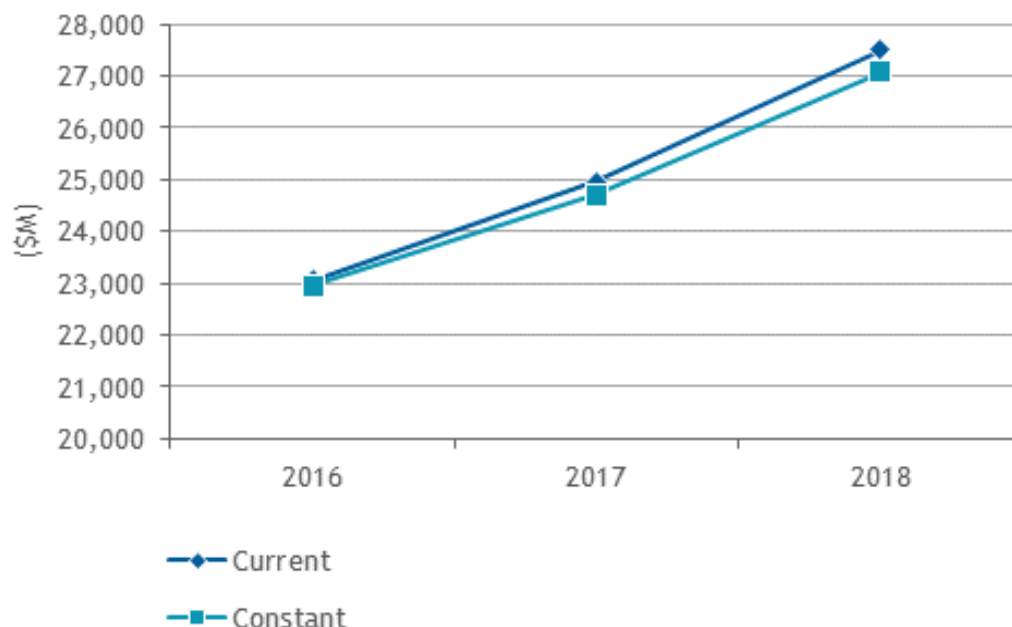
Source: IDC's Worldwide Semiannual Software Tracker, April 2019

IDC includes constant currency measures in market share documents to provide an indication of overall market developments excluding the effects of fluctuating exchange rates. The valuation of the U.S. dollar was relatively stable over the course of 2016 and 2017 compared with most other currencies and continued to be stable in 2018. The valuation of the U.S. dollar compared with most other currencies dropped slightly in 2018 compared with 2017.

The 10.2% current currency or "as reported" growth in 2018 translates, when ignoring the impact of exchange rates, to constant currency growth of 9.6%. This is an important distinction as readers of this document digest its content. Considering constant currencies, IDC is seeing slightly weaker growth in software revenue than what the current currency revenue estimates indicate (see Figure 2).

FIGURE 2

Worldwide Financial Applications Software Revenue, 2016-2018: Current and Constant Currency



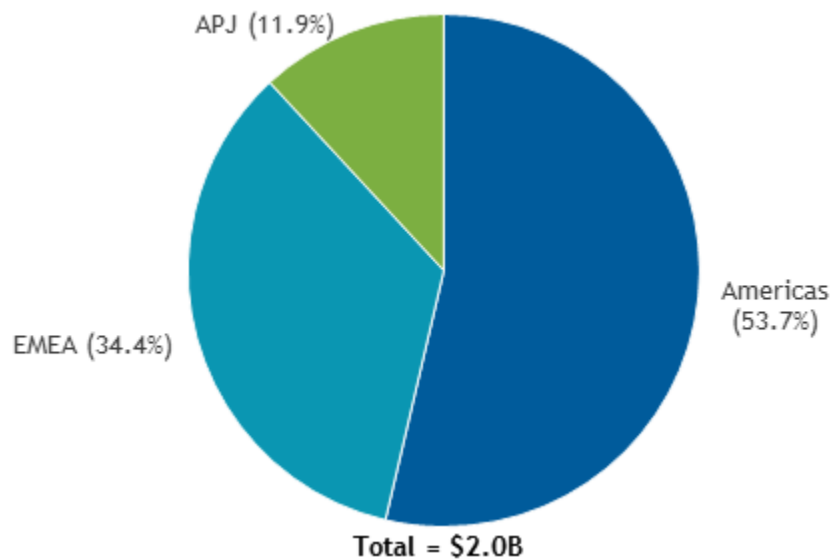
Source: IDC's Worldwide Semiannual Software Tracker, April 2019

In terms of the market performance by region, the Americas holds the largest share of revenue – 53.7% – in the travel and expense management software market. The revenue from Western Europe and CEMA (EMEA) makes up 34.4% of the market. Asia/Pacific (including Japan) (APJ) represents 11.9% share of revenue in the travel and expense management software market (see Table 2 and Figure 3).

TABLE 2**Worldwide Travel and Expense Management Software Revenue by Region, 2014-2018 (\$M)**

	2014	2015	2016	2017	2018	2018 Share (%)
Americas	752.1	782.8	873.8	964.9	1,078.1	53.7
APJ	179.2	184.3	195.0	218.4	239.0	11.9
EMEA	577.1	519.1	553.6	624.8	691.6	34.4
Total	1,508.4	1,486.3	1,622.4	1,808.1	2,008.8	100.0

Source: IDC's Worldwide Semiannual Software Tracker, April 2019

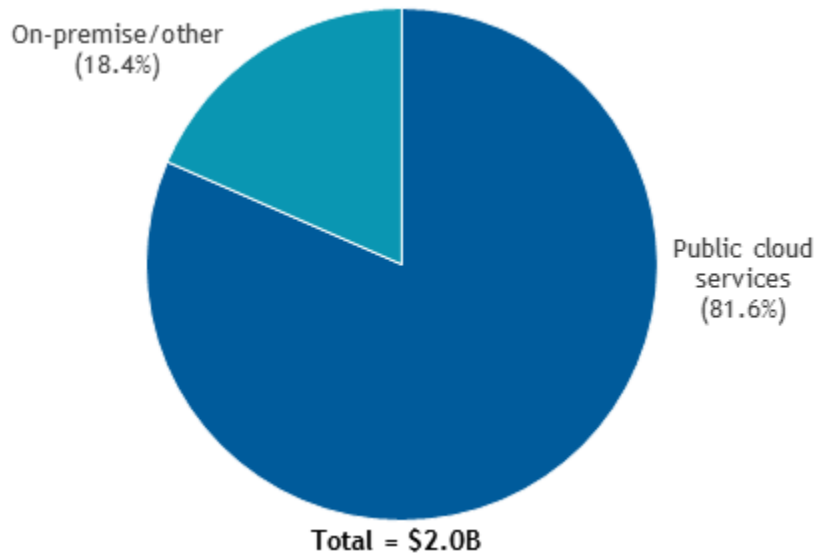
FIGURE 3**Worldwide Travel and Expense Management Software Revenue Share by Region, 2018**

Source: IDC's Worldwide Semiannual Software Tracker, April 2019

Figure 4 presents the revenue split between public cloud software and on-premise/other software in the travel and expense software market. On-premise/other software makes up 18.4% of the market share, while public cloud software accounts for 81.6% of the market. In 2018, we saw the trend of cloud solutions dominating the market in terms of deployment types.

FIGURE 4

Worldwide Travel and Expense Management Software Revenue Share by Deployment Type, 2018



Source: IDC's Worldwide Semiannual Software Tracker, April 2019

WHO SHAPED THE YEAR

This excerpt was prepared for SAP but also included the following vendors: Certify, Expensify, Fraedom, and others.

Mergers and Acquisitions

The market for travel and expense management software is in constant flux. Companies within the market are consolidating at a rapid pace. A few examples of these mergers and acquisitions that exist in the T&E software market are:

- In September 2018, Certify acquired Abacus, a provider of a real-time expense reporting solution. This acquisition further expands Certify's global footprint in a diverse range of customer segments.
- In September 2018, Certify announced the acquisition of Captio, which is a Spain-based expense management vendor. This acquisition further expands Certify's footprint in the lucrative Western European expense management market.
- In February 2018, Visa announced its acquisition of Fraedom, a payments and transaction management software-as-a-service (SaaS) company, for an undisclosed financial amount. This acquisition provides Visa with a foothold in the lucrative B2B payment software management market.
- In December 2018, Serko, a New Zealand-based travel and expense management software vendor, has acquired United States-based InterplX Inc., a SaaS expense management software provider. This acquisition gives Serko a larger footprint in the North American market.

Market Movers

As previously mentioned, the fastest-growing vendors were driven by their ability to adopt new technologies. The most notable examples are discussed in the sections that follow.

Certify

The Certify and K1 investment followed a 2017 where Certify was purchased and immediately merged with Nexonia, ExpenseWatch, and Tallie. In 2018, the buying trend continued for Certify and K1 Investments as they purchased two more smaller expense management software vendors, Abacus and Captio, in September 2018. Certify is currently deploying a multibrand strategy, choosing to leave these brands and solutions intact to take advantage of customer segment synergies.

SAP Concur

SAP Concur showed strong growth in 2018 driven by new product development and new product integration. SAP Concur added more traveler safety functionality to its Concur Locate product including API support and new messaging capabilities. In October, SAP Concur added American Airlines to its Concur TripLink travel network. 2018 also saw the U.S. Department of Defense select SAP Concur to support its travel management process. SAP also added a partnership within the potentially lucrative higher education travel market segment with a new partnership with Terra Dotta, a provider of study abroad and international program management solutions.

Expensify

Expensify demonstrated rapid growth in 2018 driven by the combination of product development and expansion of its partner ecosystem. Expensify added a company card reconciliation dashboard. Expensify also added audit and compliance functionality driven by artificial intelligence. Expensify also made strides in building out its partner network adding partnerships with Wells Fargo, Deloitte, and Moore Stephens. Finally, Expensify became the expense management platform of major companies such as BlackBerry, IDEO, WWF, Away, Bill.com, LJ Hooker, and Canva.

Scenarios/Use Cases

As organizations move into the digital economy, focused on digital transformation initiatives, the function of travel management is turning to advanced technologies to enable its evolution. Organizations are investing in technology to augment their current expense management processes and systems. Here are a few examples of technology-driven use cases for travel and expense software:

- **Continuous audit:** Audit becomes continuous when business processes are tied to business rules to ensure the right behavior. Continuous audit generates exceptions for further review either by random exception generation or even a finely tuned exception error message, which requires further exploration by a human.
- **Executive real-time monitoring:** Currently, travel management indicators are monitored from a historical perspective. Information is brought forward from transactions within the system, without context of real-time influencers such as weather, geopolitical events, and other everyday factors that impact the business travel performance.
- **Continuous compliance:** Compliance becomes continuous when business processes are tied to business rules and are monitored for noncompliant behaviors. Continuous compliance removes unwanted behaviors, enabling improved best business practices.

MARKET CONTEXT

Historically, expense management applications were designed so that employees could log business expenses and keep expenses within the company's budget. Modern-day software vendors have shifted the focus toward actually managing employee spending habits and ingraining company policies in the decision-making process for travel and other expenses.

Significant Market Developments

The significant market developments impacting the travel and expense management software market are as follows:

- **Enhanced globalization capabilities:** Travel and expense applications must support transactions across the globe. Major tax and regulatory changes will greatly impact travel and expense in the coming years. T&E software vendors must include enhancement to tax management and multicountry and multicurrency capabilities in their near-term product road map.
- **Buildup of analytics capabilities:** Businesses are interested in analytics as part of their travel and expense applications. Business intelligence and analytics improve visibility into employees' travel and spending patterns, in addition to employee travel management.
- **More risk management:** More energy is being devoted to travel risk management. Specifically, T&E applications are beginning to help travel managers assess and manage travel risk by providing access to real-time employee location data and integrating itinerary data and security alert information.
- **Improved mobile experience:** The user experience on mobile devices is becoming increasingly important in travel and expense management applications. Vendors have focused their efforts on making it easier for employees to record expenses and file expense reports directly from their mobile devices.
- **More fraud management:** Combating fraud is top of mind for travel managers. Travel managers are fighting hard to reduce rogue spending and other fraudulent activity. Many T&E software vendors have enhanced current capabilities or launched an individual product to address fraud.
- **Growing SMB usage:** SMBs, which have historically used homegrown solutions or spreadsheets to log expenses, are adopting SaaS expense management applications at a rapid rate. This is largely due to the ease of implementation of these applications as well as a lower price point in comparison to core enterprise resource planning applications.
- **Payment advancements:** There have been several advancements in payment methods and technology. Expense management solutions have begun to integrate payments with expense reports, which will shorten the distance between the submission and reimbursement. There has also been a movement to add mobile payment technology for both employees and non-employees.

METHODOLOGY

The IDC software market sizing and forecasts are presented in terms of commercial software revenue. IDC uses the term *commercial software* to distinguish commercially available software from custom software. Commercial software is programs or codesets of any type commercially available through sale, lease, rental, or as a service. Commercial software revenue typically includes fees for initial and continued right-to-use commercial software licenses. These fees may include, as part of the license

contract, access to product support and/or other services that are inseparable from the right-to-use license fee structure, or this support may be priced separately. Upgrades may be included in the continuing right of use or may be priced separately. These are counted by IDC as commercial software revenue.

Commercial software revenue excludes service revenue derived from training, consulting, and systems integration that is separate (or unbundled) from the right-to-use license but does include the implicit value of software included in a service that offers software functionality by a different pricing scheme. It is the total commercial software revenue that is further allocated to markets, geographic areas, and sometimes operating environments. For further details, see *IDC's Worldwide Software Taxonomy, 2018: Update* (IDC #US44835319, February 2019).

Bottom-up/company-level data collection for calendar year 2018 began in January 2019 with in-depth vendor surveys and analysis to develop detailed 2018 company models by market, geographic region and, in some cases, operating environment.

The data presented in this document is IDC estimates only.

Note: All numbers in this document may not be exact due to rounding.

MARKET DEFINITION

Travel and expense (T&E) management applications provide travel, expense, and invoice management services that work alongside enterprise resource planning (ERP), human resources, and accounting systems to create a single, connected process for managing an organization's spend. Travel and expense applications allow users to submit, process, reimburse, and track employee expenses. The software enables employees to input expenses for approval through a desktop, browser, or mobile application. Afterward, administrators can track expense reports, enforce company policies for expenses and travel, set up approval routings, and generate reports for specific projects or company departments.

RELATED RESEARCH

- *Worldwide Semiannual Software Tracker Methodology, 2H18* (IDC #US44834819, April 2019)
- *IDC's Forecast Scenario Assumptions for the ICT Markets and Historical Market Values and Exchange Rates, 4Q18* (IDC #US43652019, April 2019)
- *IDC Market Glance: Travel and Expense, 1Q19* (IDC #US44646519, March 2019)
- *IDC's Worldwide Software Taxonomy, 2018: Update* (IDC #US44835319, February 2019)
- *Market Analysis Perspective: Worldwide Travel and Expense Management Software, 2018* (IDC #US43265018, September 2018)
- *Worldwide Travel and Expense Management Software Forecast, 2018-2022: Improving User Experience Is Key to Growth* (IDC #US43266918, June 2018)
- *Worldwide Travel and Expense Management Software Market Shares, 2017: Advanced Technology Reshaping Competitive Landscape* (IDC #US43267018, June 2018)

About IDC

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