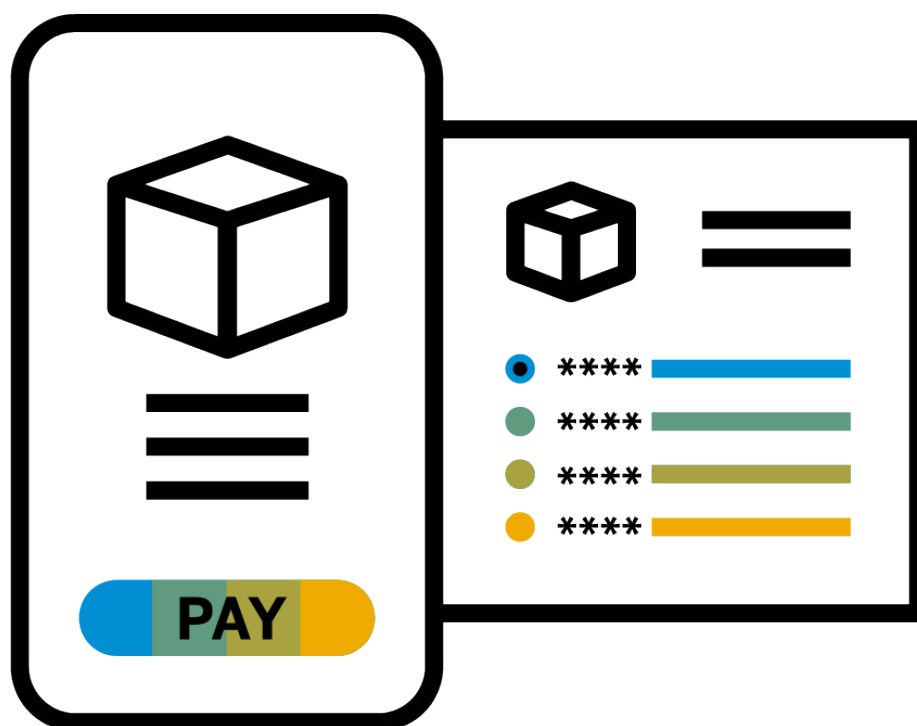




# Four Insights Every CPO Should Know About Travel & Expense

Learn how to see spend in granular detail so you can maximize supplier relationships and drive operational efficiencies



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Since the COVID-19 disruption, the travel and expense landscape has looked a little different: traveling for business has slowed, supply chains have become strained, new payment methods continue to grow, and more employees are working remotely. The one thing the pandemic didn't change is the fact that employees are more empowered than ever to buy what they need for business.

**They continue to spend company dollars and procurement is being called upon to help manage it's growth across the enterprise.**



# Calling on All CPOs

As budgets and margins continue to get tighter, businesses are looking towards procurement to uncover potential areas of additional cost savings. CPOs are being tasked to move beyond traditional cost-focused metrics and take on broader challenges, such as funding innovation to expand into new markets and growing the core business to further impact profit margins. They're also being asked to work more closely together with finance and IT to create new business models that tap into the changing workforce, increasing the speed, consistency, quality, and integrity of spend management processes.

So, whether your organization is concerned about managing travel, expenses, corporate credit cards, invoices, or compliance with other forms of indirect spend, it's apparent that spending is spread out over a variety of unique categories and countless suppliers — and yet, it's all connected.

This whitepaper explores that problem – the disparity of spend – and compares it to unifying data for increased business intelligence. To see how some of the world's largest enterprises are tackling the issue, we sat down with the former CPOs of Coca Cola, Ford Motors, and Tesoro Corporation for in-depth interviews.

What's highlighted here describes the necessity of using technology to apply policy controls more strategically, so procurement teams can better manage spending and bring as much of it as possible under contract.



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## Insight #1: Traditional Solutions Hinder Organizational Agility and Adaptability

As workplace dynamics shifted to support employees at home, so did employee spending patterns and behavior. Suddenly procurement teams started seeing an increase in spending behavior from outside standard approval and PO processes; employees started buying directly from local suppliers, or suppliers that could meet their needs immediately – instead of from corporate catalogs and approved vendors; and home office supplies and equipment were expensed without proper tracking, making it difficult for procurement to get visibility to support current and future demands.

It's plausible for us to assume these behaviors were reflected elsewhere with consumers spending over \$790 billion online in 2020, up an additional thirty-two percent from the year prior,<sup>1</sup> and an uptick in confusion around how to report new expense types – a fifteen percent increase in the expense category “Other” made up forty-four percent of SAP Concur customer spend in 2020.<sup>2</sup>

On the flip side, organizations that had disparate back-office processes found it increasingly difficult to pay vendors and experienced poor visibility into ongoing deals with buyers and suppliers. This led to an increase in errors and

manual inquiries, while paper-based processes were either paused or lost entirely as there was no one in office to open the mail. As for homegrown solutions, such as spreadsheets, it simply took too long to gather data in enough time to effect planning or aid a quick response.

“Pulling in information manually is cumbersome, slow, and probably not accurate,” said William Hovis, former CPO of Coca Cola.

For Hovis and other executive teams, the problem was clear – traditional spend management solutions hindered the ability to gather data quickly and prevented organizations the ability to adapt, respond, and recover.

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**\$790B**

Amount consumers spent online in 2020, up an additional 32.4% YoY.

**44%**

of SAP Concur customer spending in 2020 made up the spend category “Other”.

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1. [Digital Commerce360](#), 2021

2. [SAP Concur customer data](#), 2020

## Insight #2: Automate to Optimize Working Capital and Increase Cashflow

All the former CPOs we interviewed agreed that traditional management solutions were too slow, so we pivoted the conversation to dive more into the perceived benefits of automation. According to one EIU report, eighty-six percent of US executives reported that an automated travel and expense (T&E) solution improved visibility into company spending, while ninety-four percent of US executives reported an integrated system enabled them to ensure company-wide consistency and compliance.<sup>3</sup>

“The **transparency** from the **end-to-end spend** and **audit trail** is important from a CPO perspective when thinking about managed spend,” said Lisa Smith, former CPO for Ford Motors.

This, in turn, helps create a higher level of spend transparency which is vital. “It’s a matter of looking through those expenses and finding patterns in spending behavior. For example: Who do they keep buying from? Why? Should they be a preferred supplier?” said Smith.

An automated system, essentially, helps standardize data collection and increases the speed at which employee spend processes are gathered, reviewed, and approved. It also creates a comprehensive view with advanced reports, so finance and procurement teams can

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# 86%

of US executives reported that an automated T&E solution improved visibility into company spending.

# 94%

of US executives reported an integrated system enabled them to ensure company-wide consistency and compliance.

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3. [EIU Report](#), 2021

tap into holistic data insights, and get a leg up on what was previously a complicated, piecemeal view. From suppliers and vendors to travel bookings and catalogue spend to p-card spend and corporate cards – the ability to capture everything on one platform was a big win.

Through better understanding employee spending tendencies, finance and procurement teams could start working together to develop the policies and controls that guided employee buying behavior from the ground up. These controls enabled the CPOs the ability to get a more accurate view, so they could aid the executive team in fine-tuning the organization’s spending strategy.

“You have to make decisions about how you're going to treat high volume, repetitive spend. Goods and services need to be addressed with different approaches,” explains Kathy Hinton, former CPO for Tesoro Corporation.

“There are decisions about T&E that are also unique, in part because **employees** often **view travel as personal**. Being able to wrap your arms around the different strategies which are tailored to the nature of spend and still have an approach for the **entire spectrum of spend** is how you gain success,” said Hinton.

Another example includes the more common procurement strategy to reduce price. Usually negotiated during the sourcing process, price reduction is only one component of total value that your procurement team can help achieve. By establishing consistency and clarity into your process, automation can help CPOs gather even more insight. For instance, with your organization's T&E policies built right in, automation can help:

- Ensure employees are compliant with policies and are purchasing from preferred vendors.
- Make sure supplier payments are made on time to maximize early payment discounts and card program rebates.
- Increase the transparency of purchasing data to boost your organization's buying power when negotiating contracts.

Automation and the advance reporting capabilities also provide procurement teams with the visibility to manage employee behaviors in a way that benefits the business and its supplier relationships, ultimately leading to better deals.

“Processing the [spend] category and analyzing it by where it should be managed empowers the requisitioner for future bids,” comments Smith. “If you can find the buying channels that empower your employees to buy what they need while allowing it to still be managed spend – that's where you'll find the most success.”

So, when employees spend, automation can help instill the confidence that they're choosing the right supplier, the right product or service, and the right price – and you'll know you're getting the best value for every bit of budget. Plus, when you gather all the data, you'll be able to analyze and return reports that allow you to further dig in. Some indirect category directors are meeting with internal expense teams and their vendors to analyze spend within their expense tool, looking at reports, such as:

- Average airfare by year
- Booking behavior
- Time-to-pay
- Non-travel expense types
- Non-travel vendors by transactions
- Large transactions, and more.

This type of data can be a game changer for procurement. It can show what spend should potentially be moved to catalogue spend, identify new vendors, and overall give a broader picture on what spend is happening with what vendor. Without spending additional funds, procurement can drive the action to uncover additional savings and increase negotiating power with vendors. These are just some examples that allow organizations to gather better insights of what's currently happening, so finance and procurement teams can optimize working capital and increase cash flow.



### QUESTIONS TO CONSIDER:

- What affect do remote and hybrid work models have on your expense categories?
- How should your approval and audit policies and processes shift?
- What can technology do and what takes human intervention?
- How do you consistently apply policies to new payment methods?
- How are spending changes affecting tax liability and reclaim?
- Are indirect category managers evaluating employee spend data?



If you can find the buying channels that **empower your employees to buy what they need** while allowing it to still be managed spend – that's where you'll find the most success."

– Lisa Smith, Ford Motors

## Insight #3: Capture and Reduce Rogue Spend to Gain End-to-End Transparency

As Hinton mentioned earlier, sometimes, it's difficult to change employee buying preferences. This seems to be especially true for online shopping and travel purchases. Almost three-quarters of US respondents from an EIU report say they have experienced an increase in "maverick spending" by employees – purchases of home office furniture or office supplies, for example, that may not necessarily have been pre-approved by a manager.<sup>4</sup>

"There are so many different types of spend at big companies, that don't fall and fit neatly into catalogue spend," said Hovis. "You need to understand what exactly is rogue spend and where?" Rogue, dark, invisible, or even maverick spend, is spend that falls outside your organization's traditional channels, otherwise known as preferred suppliers or even managed payment channels. "Rogue spend is feedback to the procurement team that something is wrong," said Hovis, "like within processes or tools, and they need to figure out what isn't working, so they can either change the policy or re-train employees."

Investing in automation can help organizations keep track of rogue spend in various ways – whether it's gaining visibility through integrating card feeds, encouraging mobile receipt capture, or flagging reoccurring, noncompliant spend as a signal that it's time to update policies or provide employee training.

"Leaders need to communicate with staff," shares Hinton. "Educating and training employees to spend inside the proper procurement channels is a big component of creating focus on preferred suppliers, and tightening controls on frequent rogue spenders."

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### Did you know?

Almost **75%** of US respondents say they have experienced an increase in maverick spending by employees.

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4. [The Economist Group](#), 2021

Understanding where your employees are continuing to spend money also enables your team to make decisions about whether or not to bring on a vendor as a discounted or preferred supplier. In the past, some organizations that have further explored employees' rogue buying decisions saw increased benefits such as cost reduction per service or increased experience to the traveler.<sup>5</sup> Without further exploration into the 'why', these businesses would have failed to realize the additional savings. Plus, there's even more benefit to bettering the employee experience – a topic we'll dive into more later.

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5. [Rocketrip](#), 2019



As the demands on procurement continue to rise, it's essential that finance and procurement teams look to make compliance easy for everyday users. Procurement teams should look to integrate the entire source-to-pay process with contract compliance to increase policy guidance. This will allow CPOs the ability to get insightful analysis on buying behavior, such as spending among families of suppliers, seeing where savings leak, how prices vary, and if duplicate purchases exist.

Having a say in your travel policy is also extremely important. You can help uncover increased savings, such as bettering the employee experience. "Sometimes there can be an opportunity to negotiate better deals with your customers to further improve your employees' experience. For example, if one of our hotel or airline suppliers also serves our product, then we're going to try and negotiate

better deals and perks for travelers to do business with them," said Hovis. "Our employees were thrilled that we negotiated free breakfasts at certain hotels."



#### QUESTIONS TO CONSIDER:

- Are employees following the policy or not?
- What are the do's and don'ts that employees should be aware of?
- Are there sensitive issues that can be better defined in your policy?
- Is it a one-off purchase? Why?





## Insight #4: Track, Quantify, and Benchmark Your Goals with a Scorecard

The more insight you have, the better you can collaborate with suppliers to share data, negotiate more favorable vendor rates, make better budget decisions, or direct employees to spend on initiatives that have the greatest impact for your business. This progress can be added to a procurement scorecard, something Hovis has had a lot of success in. He recommends:

“Understand what’s taking place – whether it’s air travel, lodging, meals, etc. – and do an in-depth analysis so you can perform a proper request for quotation (RFQ). Having the ability to quantify and prove that you achieved cost savings through a scorecard shows the exact improvements made and the consequential results,” states Hovis.

While showing that you obtained a price better than the average price is beneficial, Hovis explains that “improving the travel experience by getting additional perks, such as free breakfast, additional rewards points, and more” is just as rewarding.

“If you are able to communicate these specifics and monitor them over the year, you will impress a lot of business leaders because you weren’t just interested in the bottom-line, but getting business done overall, and improving the employee experience,” said Hovis.



### Assess Your Spend Processes!

>> [Take the quiz](#)

See where you can improve procurement’s visibility into T&E spend by taking our quick, self-guided quiz.

# Tackle the Reality of Spend Management with SAP and SAP Concur solutions

Taking on the reality of spend management can be complex. It requires total control of each category, as well as a broader, more comprehensive way to orchestrate spend and policy compliance across numerous categories. Unfortunately, traditional solutions can't do both. Intelligent spend management from SAP is the only provider that can meet both needs, offering:

- Comprehensive supplier management supporting all categories of spend.
- Automated, built-in processes to control each category of spend.
- A unified view of spending across travel, expense, invoice, and procurement.

By getting all spending onto “a single pane of glass,” CPOs and leaders from across the organization can work together to make smarter, faster decisions that improve both the discipline and accountability of managing spending across the company.

Every source. Every category. One unified view. That's intelligent spend management, and it's achievable today.

## ABOUT SAP CONCUR

SAP® Concur® is the world's leading brand for integrated travel, expense, and invoice management solutions, driven by a relentless pursuit to simplify and automate these everyday processes. The highly-rated SAP Concur mobile app guides employees through business trips, charges are directly populated into expense reports, and invoice approvals are automated. By integrating near real-time data and using AI to analyze transactions, businesses can see what they're spending, improve compliance, and avoid possible blind spots in the budget. SAP Concur solutions help eliminate yesterday's tedious tasks, make today's work easier, and support businesses to run at their best. Learn more at [concur.com](https://concur.com) or the SAP Concur [blog](#).



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