**SAP Concur** ⌐·

# Spend Insights Report
## How Will Last Year Make 2023 Better?

**SAP**

# In the Moment

Every spending moment is a potential risk: Where's the money going? What's it being used for? Is it a preferred supplier, a reputable supplier, a sustainable supplier? And perhaps most importantly, will this purchase move the business forward?

Employees who can answer those questions in the moment turn spending risks into opportunities. But to make that possible, we must first look at spending trends from last year to see how their trajectories will impact this year.

SAP Concur partnered with Oversight – an industry leading provider of AI-based risk mitigation and spend monitoring solutions – to analyze customer spend data, and package the results into this report. In the following pages, you will see where spending has been, where it stands, and where it's headed. You'll get insights you can use to assess your policies and processes and examine what might be holding your budgets back, so you can make the most of every spending decision *in the moment.*

# 1 Spending is Getting Back to Pre-Pandemic Levels

Inflation rose almost as much last year as people's concerns about inflation, but even though spending was up, it wasn't just because of higher prices: Overall spend and the number of transactions both increased. Let's take a look.
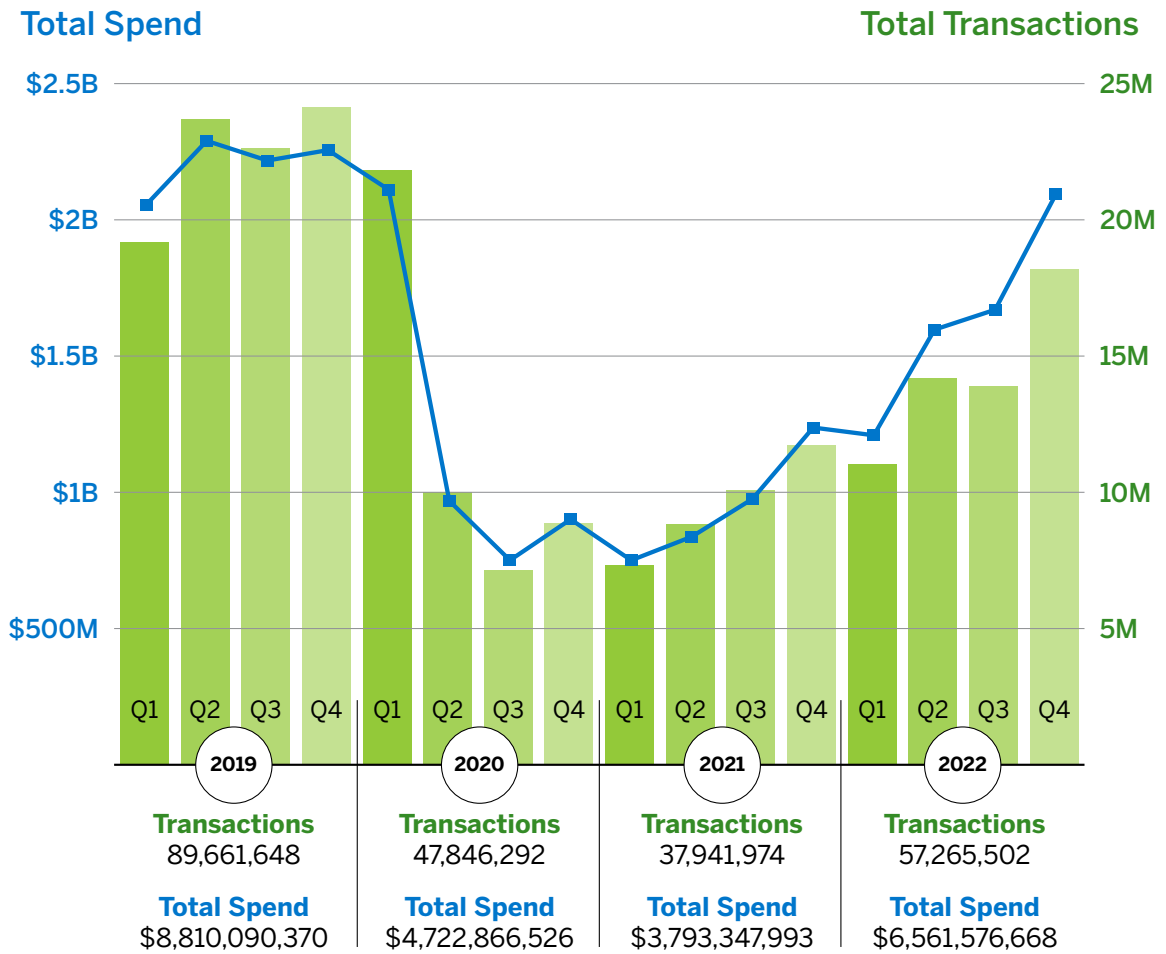
Overall spend in 2022 **increased 73%** over 2021.

Overall transactional volume **up 51%** over 2021.
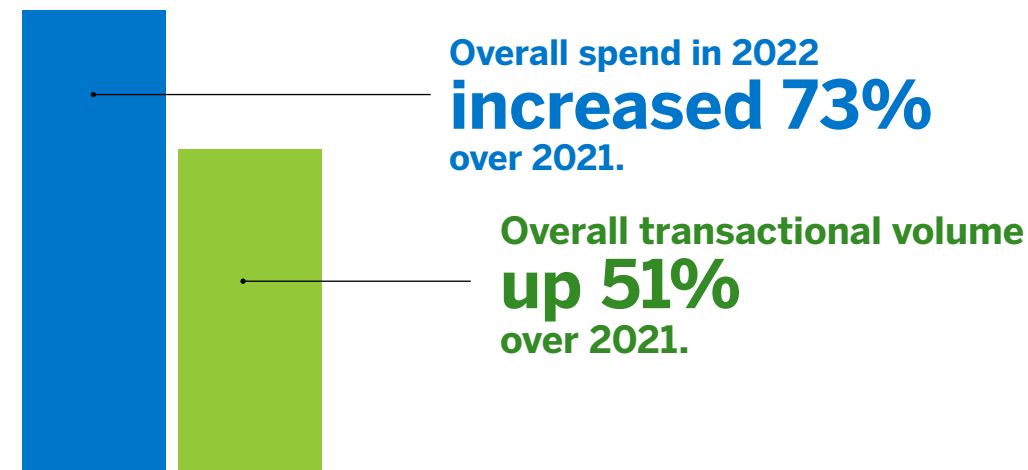
2nd-half-of-year **spend increased 36%** over the 1st half of the year.

| **$2.8B** in spend | **$3.8B** in spend |
|---|---|
| Q1-Q2 2022 | Q3-Q4 2022 |

2nd-half-of-year **transactions increased 28%** over the 1st half of the year.

| **25.2M** transactions | **32.2M** transactions |
|---|---|
| Q1-Q2 2022 | Q3-Q4 2022 |
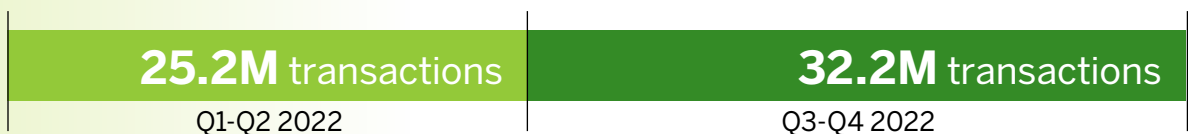
As we put the pandemic further and further behind us, we'll see numbers similar to 2019. It's a trend you can expect to continue as business picks up and, yes, inflation increases the cost of doing business.

**Total Spend**                                        **Total Transactions**



| | | | |
|---|---|---|---|
| **2019** | **2020** | **2021** | **2022** |
| **Transactions** 89,661,648 | **Transactions** 47,846,292 | **Transactions** 37,941,974 | **Transactions** 57,265,502 |
| **Total Spend** $8,810,090,370 | **Total Spend** $4,722,866,526 | **Total Spend** $3,793,347,993 | **Total Spend** $6,561,576,668 |

# 2 Travel and Expense is Driving the Increase

It comes as no surprise that as travel has increased, so has travel and expense (T&E) spending. In fact, if you look at the spending data, T&E spend vastly outpaces purchasing card-driven spending.

**T&E:** $4,803,399,796

**P-Card:** $1,760,915,970
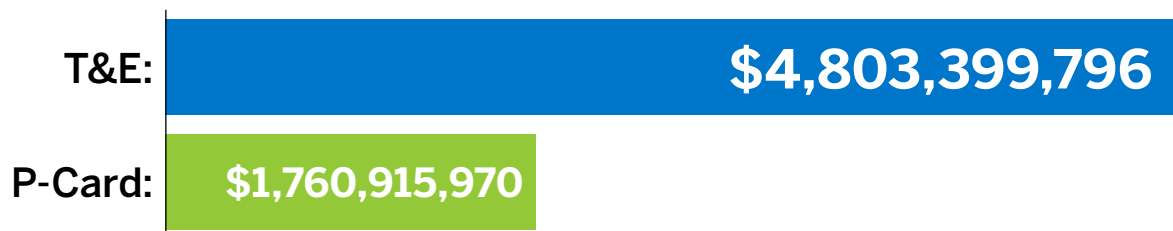
## Where's the money going?

For the most part, the top six categories of T&E spending are what you'd expect, with one notable change from the previous year. Transportation made it back onto the list in 2022, edging out wholesale trade, which includes technology services, hardware, tools, industrial supplies, electronic components, corporate gifts/promotional items, and office supplies.

### The 2022 top six:

1. No MCC (Cash Out-of-Pocket)
2. Hotels and Motels
3. Airlines
4. Restaurants
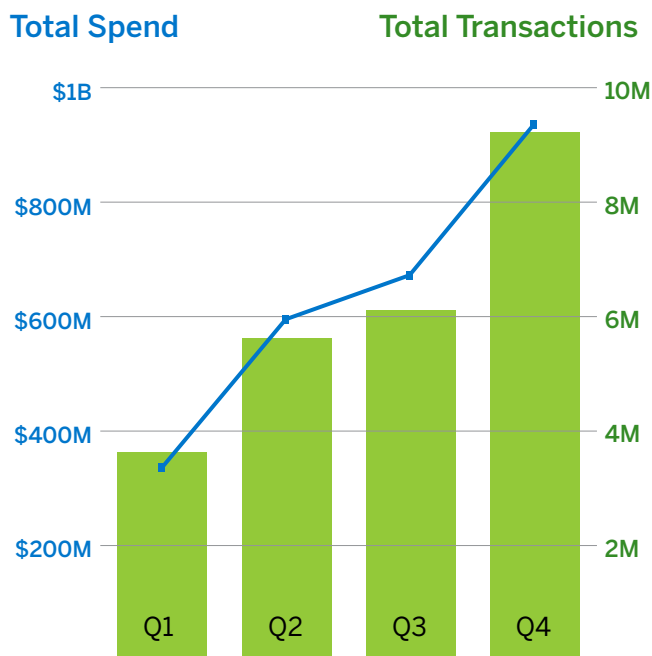5. Transportation
6. Business Services

What do these categories show us? Perhaps most troubling is that Cash Out-of-Pocket continues to top the charts and evade easy efforts to control it. Also, Hotels and Motels continue to reign on the top-six list and are even more prevalent than in previous years.

It's worth noting a spending decline in the categories of Automobiles & Vehicles and Retail Sales. But this seems logical, as employees return to the office and no longer need personal vehicles for travel – and they can buy what they need through preferred procurement methods.

# What about travel-specific spend?

When it comes to airfare, hotels and lodging, rental cars, mileage, meals, and other travel spend, the spending spikes were mostly in appropriate areas. And while these increases are significant, they're not surprising, given the increase in overall business travel.
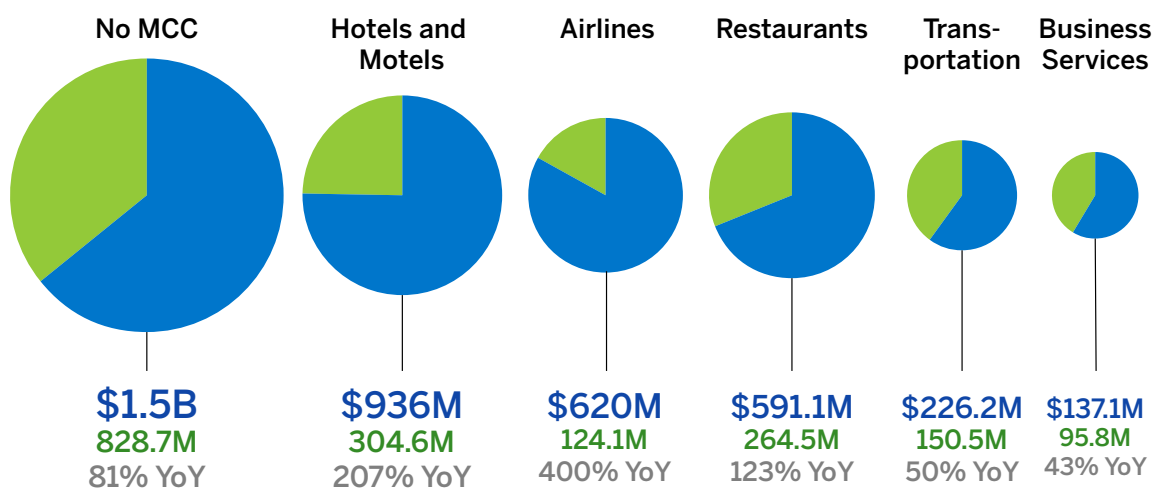
## 2022 Travel-Specific Spend

**Total Spend**        **Total Transactions**

| | Total Spend | | Total Transactions |
|---|---|---|---|
| | $1B | | 10M |
| | $800M | | 8M |
| | $600M | | 6M |
| | $400M | | 4M |
| | $200M | | 2M |
| | Q1 | Q2 | Q3 | Q4 |

Between Q1 and Q4, 2022, **travel-specific spend increased 178%**, based in part on increases in business meetings, conferences, trade shows, and general business travel. And even though many companies continue to require justification for each trip, you can expect this increase in travel spend to continue through 2023 and 2024.

# What's changed from last year?

On the surface, the year-over-year breakdown may not seem significant, but when you take overall spend dollars into consideration, there are several important stories to note. Perhaps the most interesting of which is our chart topper, cash out-of-pocket (No MCC).

**Spend categories by dollars spent.**    ● 2021  ● 2022

| No MCC | Hotels and Motels | Airlines | Restaurants | Trans- portation | Business Services |
|--------|-------------------|----------|-------------|------------------|-------------------|
| $1.5B | $936M | $620M | $591.1M | $226.2M | $137.1M |
| 828.7M | 304.6M | 124.1M | 264.5M | 150.5M | 95.8M |
| 81% YoY | 207% YoY | 400% YoY | 123% YoY | 50% YoY | 43% YoY |

**Out-of-pocket spend has increased 81% year over year.** Unless organizations are shutting down their card programs and requiring employees to use their own funds for business purposes, this is not good news.
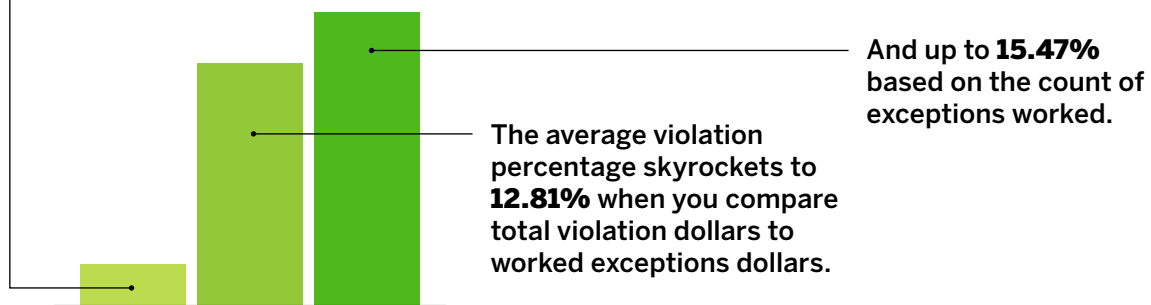
Another interesting – and rather concerning – story in these numbers is the **43% jump in business services spend**. That business services made the list is alarming enough, but an increase this significant is something to keep an eye on. These services, such as consulting, software, professional services, waste management, logistics, and insurance, simply shouldn't end up in your T&E spend.

Also, just because **wholesale trade fell out of the top six**, that doesn't mean it's not important. With $108M in spend for technology services, hardware, tools/industrial supplies, electronic components, corporate gifts/promotional items, and office supplies, it's important to ask yourself if you're driving this spend through the right processes – or if procurement should be managing it and keeping it in policy. Directing it out of T&E, by the way, will boost both compliance and savings.

# 3 Violation Rates Continue to Hover Between 2-4%, but It's Not that Simple

In the 16 quarters between 2019 and 2022, customer data has reflected an **average violation rate of 2.33%**, when comparing violation dollars to total dollars spent.

But that number only tells part of the story. When customers pay closer attention to the exceptions (transactions flagged for something out of the ordinary) their systems identify, they find more violations and, as a result, deliver more savings.

The average violation percentage skyrockets to **12.81%** when you compare total violation dollars to worked exceptions dollars.

And up to **15.47%** based on the count of exceptions worked.

We'll look at this in more detail later, but keep this point in mind as you review these stats: *Organizations that focus on exceptions find violations to fix.*

**Violations in 2022**

## 157,531
INDIVIDUAL VIOLATIONS
**up 7.9%**
from 2021

## $91,321,505
COST TO COMPANIES
**up 9.83%**
from 2021

*Remember, organizations are typically only working about 50% of the exceptions their systems identify. So in reality, violations are likely much, much costlier and likely to increase as teams work through their exceptions.*

# What's driving violations?

While the data shows violations in every type of spend, further analysis provides a better understanding which type of exceptions are driving the most violations, which spend categories have the highest violation rates, and the reasons assigned to those violations after review.

Knowing **where** most violations are found is valuable when determining which spend area to focus on first. And knowing **what** violations happened – as well as **why** they happened – can help you prevent them.

## So, where are violations occurring?

| | 2022 / 2021 | YoY |
|---|---|---|
| No MCC | | −27.4% |
| **Publishing Services** | | 2,469.8% |
| Hotels and Motels | | 77.3% |
| Restaurants | | 55.1% |
| Misc. Stores | | 0.5% |
| Business Services | | −30.4% |
| **Professional Services** | | 57.6% |
| Amusement & Ent | | 122.8% |
| Wholesale Trade | | −1.7% |
| Mail/Phone Order | | −10.5% |
| All Other MCC Groups | | 82.5% |

*(Chart x-axis: 0, $10M, $20M, $30M, $40M)*
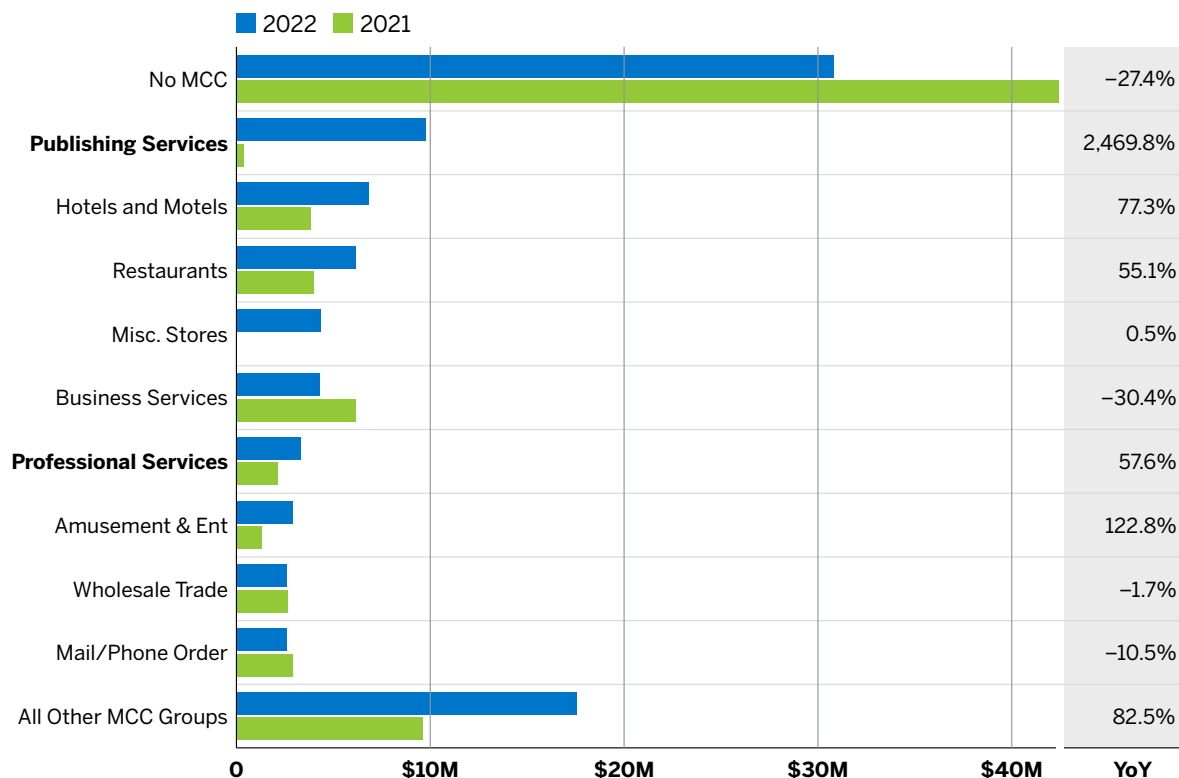
Given the jump in travel between 2021 and 2022, the increase in hotel/motel, restaurants, and amusement/entertainment violations is understandable. But the dramatic increase in both publishing and professional services is somewhat shocking.
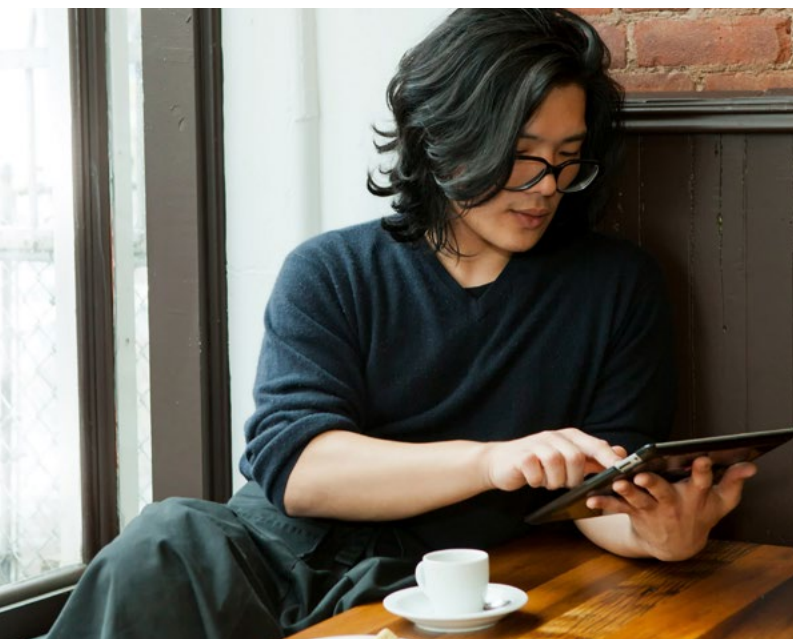
## What kind of violations are showing up?

There are more than 15 exception types, and when it comes to sheer volume of violations, five float to the top.

1. Expense Excessive Out of Pocket
2. Travel Fraud Risk
3. Expense Line Suspicious Keyword
4. Expense Duplicate Same Employee
5. Travel Card Policy Misuse

These five exception types should take priority – they should be your key areas of focus when watching for violations.

## Why are all these violations happening?

Is it all human error? Well, people do make mistakes. They type things in wrong, use the wrong card, or attach the wrong receipt, but these mistakes can't account for everything. And when you dive deeper into the analysis to examine the most common expense violation reason codes across these T&E violations, you can see if there's a way to avoid these human errors or reduce the chances of them happening in the first place.

**Employee Awareness, Policy Awareness, and Policy Reminder**
**VIOLATION COST:**
# $24.3M

Despite your best efforts, employees forget or *choose* to forget the policies that should be guiding their behavior. But technology can help:

- Look into your travel booking and expense reporting tools for communication and messaging options that guide employees to the right decisions and answer their policy questions in the moment.

**Misclassified
Expense and Missing
or Invalid Receipt**
VIOLATION COST:
# $5.2M

**Incorrect
Expense Entry**
VIOLATION COST:
# $6.76M

Again, nobody's perfect, so misclassifications and missed/ invalid receipts are going to happen. But they're also largely avoidable if you apply intelligent tech to your process, so look for expense solutions that:

• Take electronic receipts directly from top travel providers like hotels, airlines, etc., and automatically add and categorize those expenses into expense reports.

• Include mobile apps that allow employees to snap photos of receipts; add and categorize those charges into expense reports; and employ AI and machine learning to improving the quality and accuracy of the classifications.

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**Policy Override
by Manager**
VIOLATION COST:
# $4M

In this case, the purchase does not adhere to what policy requires, but the manager/supervisor has approved it. In the worst cases, this could mean collusion: "You buy it, and I'll make sure it gets approved." In the best cases, it's merely an oversight by managers who are moving too fast. Either way, technology can help:

• Look for audit tools that use intelligent technology (AI/ ML) to identify these trends, so you can stop them in their tracks.
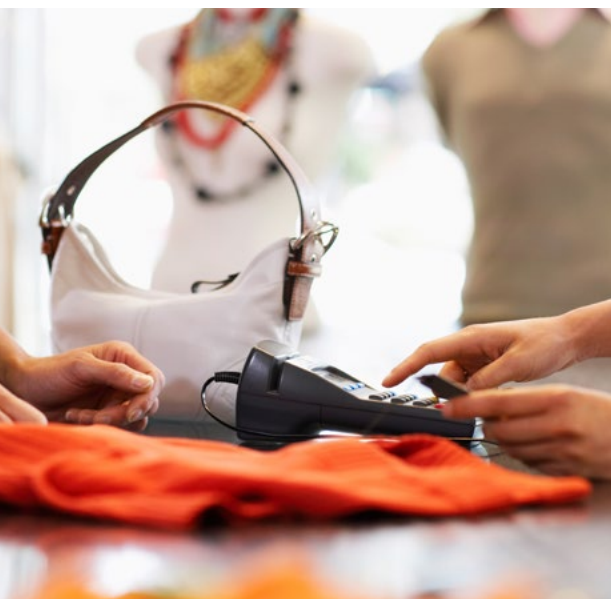
## What else should you watch out for?

Dig into your retail and business services spending to make sure every charge is in-policy. These categories may not have made the top 10, but you should continue to pay particular attention to the following.

• **Clothing Stores: ($458k) and High-Risk Personal Retail ($378k):** Travelers might be expensing clothing or other goods they "need" or "forgot" for a trip.

• **High-Risk Personal Services ($486k):** These include nail salons, massage providers, etc., and are rarely appropriate business expenses.

## What's up with cash out-of-pocket spending?

Cash Out-of-Pocket was the largest overall spend category in 2022, and guess what: Excessive out-of-pocket exceptions made up the highest percentage of overall violations – **adding up to 44% of the total dollar amount of 2022 violations**.

The story behind this trend began in March 2020, when everyone went home for the year and employees were told some version of "expense whatever you need to get the job done." Some employers even stopped issuing cards to new hires, as there was no travel to pay for.

Now that the workforce has largely returned to the office or established more firm work-from-home policies, employers are playing "catch-up" and trying to issue new cards as quickly as they can. Others are discovering employees have grown accustomed to *not* using company-issued cards and who continue to submit expenses for reimbursement, regardless of policy. With most businesses back at "business as usual" status, there was hope this trend would decline, but that's clearly not the case.

So, as we move through 2023, we'll continue to analyze this category to check for changes. More importantly, as *you* move through 2023, focus on your out-of-pocket purchases, examine how you're issuing cards, and ramp up communication to encourage their use.

# Work the Exceptions, See the Savings

As mentioned earlier in this report, organizations that "work" the exceptions their systems identify **find more violations, uncover more risk** and **discover more ways to save.**

Working your exceptions – auditing and reviewing them – can mean millions. **Here's the math:** The average violation percentage changes from less than 2.5% to 12.81% when you compare *total* violation dollars to *worked* exceptions dollars, and 15.47% based on the count of exceptions worked.

| | |
|---|---|
| Total T&E Exceptions | **$2.1B** |
| Total Exceptions Worked | **$500M** |
| Total Exceptions Unexamined | **$1.6B** |

**Remember: These charges were flagged by their company's "expense management process", and no action was taken.**
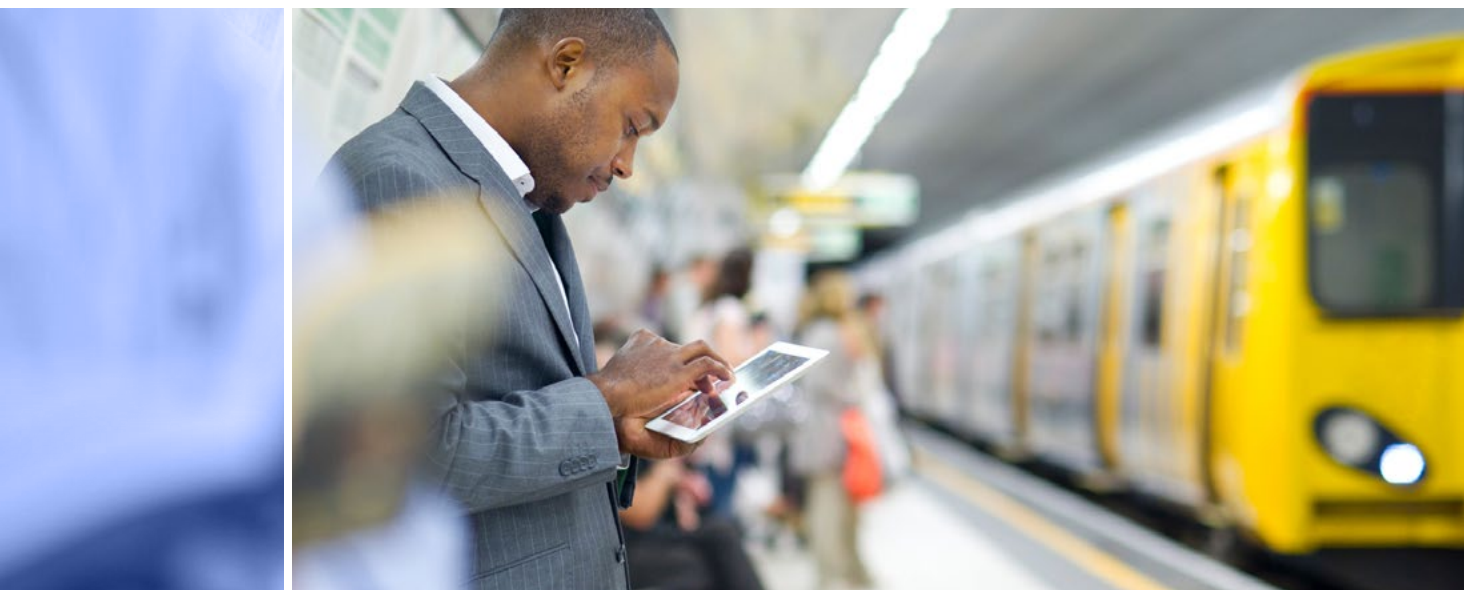
The only way you can identify violations or confirmed findings is by working – auditing, reviewing – the exceptions flagged by your analytics. And when you do the work:

- **Your system gets better** – it learns how to resolve and classify exceptions as "no issue" or "issue identified".

- **Your employees get smarter too** – when you work exceptions, you can point out a policy that's not being followed or when someone submits multiple reimbursements for the same transaction. Employees will see what they've done wrong and what they should do to correct it; you'll see how to change behaviors and prevent further exceptions.

One organization **reduced duplicate expenses by**
**90%** thanks to working the exceptions and a little employee education.

*—Oversight customer example*

The takeaway? Working your exceptions is the only way to:

1 Make sure your policies are being followed or determine if further policy education is needed.

2 Get the most out of your spending.

3 Get the greatest ROI from your travel and expense system.

# What Should You Do Now to Prepare for What's Next?

Let's close out our look back at 2022 with a look forward. Here are a few specific things you can do to make sure you keep improving compliance while spending is on the rise.

- **Review 2022 spending against 2023 policies and objectives.** See how you did, what you can do better, and how your tools can help.

- **Review your reason codes.** Most expense systems use reason codes to identify the root cause of an issue. So be sure your reason codes aren't over-simplified or over-complicated. And tap your tech and TMC partners for their POV.

- **Work your exceptions.** No matter what you're doing to flag violations, follow up on the findings.

- **Take a closer look at cash spend.** Consider the number of out-of-pocket transactions that require cash reimbursements. Then consider company-issued credit cards, including virtual cards, for all business travel and expenses, with few exceptions.

- **Examine your policies.** Update travel and spend polices to reflect economic realities, adjusting thresholds where appropriate. You should also review receipt requirements and assess the number of missing receipt affidavits used over each quarter.

- **Prioritize training and education.** Evaluate the training tools you have. And re-educate employees about your latest policies.

## SAP Concur and Oversight Can Help You Get There

**SAP Concur and Oversight offer a solution to help tackle all of this complexity and bring much-needed control over your costs.**

The Concur® Detect service by Oversight uses AI and machine learning to automatically analyze expense reports, speed up the auditing process, and resolve issues before and after reimbursement. It shows you where exceptions and violations are happening, so you can work your data and your process to strengthen compliance and improve spend control. **Learn more.**

## About Oversight

Oversight's AI audit and risk management platform digitally transforms how organizations monitor, analyze and mitigate their enterprise spend risk – across travel and expense, P-card, and account payables entries. Working across these disparate financial data sources, Oversight leverages patented and proven analytical techniques to automatically uncover fraud, misuse, and errors, as well as hidden risks and patterns that would lead to greater financial loss if left undetected. By identifying process breakdowns and making corrections early, Oversight helps create a culture of compliance that reduces out-of-policy spending by 70%, while maximizing audit efficiency and eliminating cash leakage.

Visit **Oversight.com** for more information.

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