



Why expenses don't have to hold you back

How the expense process no longer needs
to be paper-based, fragmented or slow

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EXECUTIVE SUMMARY

While digital transformation of business practices is accelerating, travel and expense (T&E) management remains stuck in the slow lane. Across all sectors, organisations of all sizes are being held back by inefficient expense processes.

Just under half (43%) of companies rely on paper-based manual expense reporting¹ while 46% of companies still expect employees to pay up front for T&E using their own funds with 'pay and reclaim' policies²

Dealing with expenses has become a time and energy consuming 'black hole' that sucks up staff productivity and creates a source of frustration for workers. Expense claims are now a major pain point with finance, management and procurement alike.

Under pressure to boost efficiency and reduce costs, manual T&E claims processes are starving them of the consolidated, real-time information that would help them achieve better control of spend.

There is no doubt that expenses will come increasingly under the spotlight in 2020 and that claims processes will have to get smarter.

A recent Gartner Survey reveals that CFOs aim to scale back Selling, General and Administrative (SG&A) spending by 4% to 11% this year.³

With 10% of budgets devoted to travel and expense,⁴ finding savings, as well as reducing fraud and ensuring compliance will become a key priority.

This report reveals how modernising essential T&E processes can significantly reduce processing costs, increase employee productivity, mitigate risk and help cut spend.

It helps organisations understand how poor expense handling can adversely impact their business and why it's time to ditch manual or fragmented expense systems for good.

Readers will gain invaluable insight on how simplifying and automating expenses can contribute to overall business performance in order to build a better business case for change.

Importantly, the report also provides practical guidance to aid transformation towards a more streamlined and efficient T&E process that puts them in control.

THE CURRENT LANDSCAPE

Expenses are now a major issue for modern, mobile workforces.

Improving the T&E expense processes is often at the bottom of a business's operational 'to do list'. Despite the fact that T&E is the second highest controllable expense after wages.

While 44% of companies feel their expenses model works well enough, over half do not.⁵

Indeed, 42% admit that concerns about managing their business expenses keeps them up at night⁶ and 89% of finance departments say they regularly face challenges with their expense process.⁶

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In addition, 75% of finance leaders believe that poor T&E processes impact job satisfaction and morale within their teams.⁸

And these issues are set to escalate. Traditional working practices are changing and evolving bringing new, more complex T&E mixes. For example, the growing trend towards home working, remote field staff and mobile services are shaking up traditional cost models and policies.

The cost to employees and businesses is often underestimated

Individual T&E costs seem small compared to other business operational expenses (like wages, premises and stock) but they soon mount up, especially for employees tied to pay and reclaim policies.

64%

of those who pay for on the road expenses are out of pocket on a monthly basis.



Our studies show that, 64% of those who pay for on the road expenses are between £50 and £200 out of pocket on a monthly basis. For a worker on the average UK salary of £29,009 a year, this represents between 8% and 30% of their disposable income.⁹

Expense headaches are exacerbated for companies with high levels of business travel. In 2018, UK businesses racked up £4.4 billion on domestic trips and £4.7 billion on overseas trips.¹⁰

And it's not just large corporates with travel hungry execs that are hit hard. Smaller UK businesses, who are more reliant on manual processes, are struggling with lost

productivity. YouGov estimates that the time and resources taken to keep track of their employee and company expenses costs a staggering £8.72 billion annually.¹¹

Lack of control creates risk, impacts compliance and prevents unnecessary spend

All too often businesses rely on 'post-transaction manual approval' of expenses. This means it's often too late to prevent an unnecessary or uncompliant spend as the transaction has already happened. Unless there are 'pre-transaction controls on the card' companies are open to error and risk potential issues with HMRC.

14%

of all occupational fraud was from expense reimbursements.

(National Fraud Authority)



Manual or fragmented systems also escalate the likelihood of expense fiddling. *Action Fraud UK* claims that nearly one in five businesses were defrauded by an employee in 2018.¹² Meanwhile the National Fraud Authority estimates 14% of all occupational fraud was from expense reimbursements.¹³

Poor expense management impacts the whole organisation

The reality is that managing expense claims is an expensive time-sink involving the entire company - the employee (recording), the manager (authorising), the accountant (checking), finance team (reimbursing/billing), operations and even execs (insight/strategy/policy).

Friction or delay can create a chain of negative experiences. Some of these are highlighted in the following diagram.



For team members responsible for balancing the books, there are multiple challenges. Legacy systems can stifle growth and take up way too much time. Paper-based expense management systems are manual, slow and not scalable. There is a lack of quantifiable data around trends and fluctuations, so making strategic business decisions is difficult.

On average, it takes 20 minutes to process one claim report and around a fifth (19%) of all reports have errors which take a further 18 minutes to correct.¹⁶ That means that one in five expense reports take almost 40 minutes to complete.



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For those people who are responsible for driving a smooth, happy and productive workforce, antiquated systems are an expenses kryptonite.

When asked what they found most annoying about travelling for business, over a quarter (26%) of workers revealed that it was having to use their own money to pay for expenses. With a further quarter (22%) revealing they have actually decided to change job as a result of their employers' travel expense policy.¹⁷

Slow or manual processes are tolerated typically because 'it's never been any different', but in truth manual sign offs, slow paper trails and lost paperwork lead to frustration and ineffective accounting. Poor and inaccurate reporting can also affect audits, impact compliance and lead to companies paying too much, or too little tax.

In the aftermath of COVID-19, many businesses are now looking at how to keep their employees safe by eliminating potential sources of contamination such as paper, cash and forms. Expense management systems that use automated, cashless and digital tools help to reduce risk and have an important role to play in current and future contingency plans.



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EXPENSES ARE READY FOR A REVOLUTION

Current T&E reporting systems are lagging behind.

It's been found that 43% of companies still manage expense reporting manually¹⁸ using paper receipts, forms or spreadsheets like Excel.

Organisations with highly mobile workforces like wholesale, construction and manufacturing typically have high expense values for transport, fuel, on-the-road (parking, fines, tolls, servicing, etc), entertainment and accommodation as well as other supplier payments.

This creates a huge (and unproductive) administrative burden on staff. Receipts get lost and errors are made leading to reimbursement and accounting delays. There's also greater potential for fraud (from blank taxi receipts to duplicate claims). Paper-based expense trails also create extra layers of complexity for finance teams to add to the high cost of processing.

To alleviate this, some businesses have invested in their own or a third-party T&E management system but even here they often fail to fully automate the processes. Employees still have to enter expenses manually and can't import data from other systems. So, effort is still high and full cost visibility remains poor.

Increasingly there is a trend towards more closely integrating corporate travel booking, trip management and expense reporting. But gaps remain

With more of the process digitised, many of the systems can be automated. However, for many there is still a key piece missing; 'how to pay'. Even with a corporate or personal business credit card, payment is siloed as a separate service provided by an issuing bank or card company.

Is this a problem? Yes. Many banks don't offer employers the flexibility or control over limits, with spend levels set across the business but not by individual so it's often difficult to control what can be spent and on what.



Only a quarter of companies (27%) have a system that automatically flags out of policy expenses

Only a quarter of companies (27%) have a system that automatically flags out of policy expenses¹⁹. Providing employees with such cards is a risk many employers don't want to take.

Some cards, such as Amex, are not always accepted at all sales points resulting in individuals paying personally, incurring multiple means of expense management. To circumvent this, fuel cards are becoming a popular choice for mobile workforces. These can be easily capped and controlled, but they don't cover everything so there are still elements of 'pay and reclaim' involved.



So, why are companies neglecting expenses when so much is at stake?

Forrester Research states that T&E is the second most challenging business operating cost to control.²⁰ Those involved face many barriers. These can relate to company culture, employee attitude and behaviour, legacy systems and processes or simply a lack of ownership and investment.

At a board level, C-level execs are often focused on the bigger picture - on investment that drives growth, redefines strategy and propels new customer-facing services.

At an operational level, the barriers to a new streamlined solution are common across businesses; too much disruption, too much expense, current system or process is okay.

All too often, it's simply that those who could effectively champion change, whether in finance, operations or HR, have their attention diverted elsewhere and lack the time to collect and digest the information they need to improve processes or make investment decisions.

The challenges that prevent T&E change are also what make it an urgent priority

Primary challenges	Lack of time/workload Increasing workloads, being pulled in different directions, not enough hours in the day to do all tasks required.	Secondary challenges	Dated systems Dealing with outdated systems slowing down processes.
	Staffing/HR (esp. Operations) Constant challenge to find good staff and to keep them. Also general management of staff can be difficult and keeping them happy.		Uncertainty (esp. Finance and Procurement) Especially about Brexit and regulation.
	Driver/vehicle whereabouts (esp. Fleet) Having to keep tabs on drivers and mileage, dealing with accidents or emergencies on the roads.		Logistics (esp. Operations and Fleet) Having to expect the unforeseen.
	Compliance (esp. Finance, Procurement, Construction) Making sure that all processes adhere to regulation.		Suppliers (esp. Procurement) Sourcing and managing the right suppliers and negotiating good deals to ensure continual cost efficiency.
	Enforcing procedures (esp. Procurement) Trying to stop employees circumnavigating procurement procedures for a range of issues across the business.		COVID-19 Employees working from home, manual processes disrupted, interaction between employees and managers limited. Health risks from handling and sharing forms, paperwork and receipts.

FROM FRUSTRATION TO PRODUCTIVITY

It's time to prevent poor T&E management derailing your business and adding unnecessary cost.

More than half (53%) of organisations say their biggest expense pain point is employees losing paper receipts.²¹

With all the benefits of cloud software, mobile image capture and apps, there's no reason why staff should still be rummaging through bags and files, stapling receipts to spreadsheets, or trying to source missing paperwork. Or for businesses to be losing out on potential VAT rebates by failing to submit all the company's expenses to HMRC.

By having an 'all-in-one' paperless solution (or a flexible solution that augments with existing infrastructure), teams can circumvent archaic processes that have negative impact on your balance sheet as well as on employee wellbeing and productivity.

Here are five use cases for investing in better T&E management:

1 Meeting the demand of high cash flow

For high cash flow businesses such as manufacturing, wholesale and construction, maintaining sufficient funds for stock, expenses and fuel is business critical. It's not smart to make employees fund the working capital of the business, which is effectively what pay and reclaim does. This can lead to employees scaling down essential activities to avoid incurring expenses, seeking employment elsewhere, or attempting to take back what they feel they're owed through fake claims.

With a robust, fully integrated solution in place, businesses can save time and achieve full visibility of actual spend and cash flow. At the same time making sure workers are not left out of pocket.

With a robust, fully integrated solution in place, businesses can save time and achieve full visibility of actual spend



53% of organisations say their biggest expense pain point is employees losing paper receipts.²¹

2 Spending controls

Some solutions don't allow companies flexibility or control over where employees can use their card or the spend limit by category. This can lead to multiple expense flows, making the process longer and more convoluted, plus adding to employee frustration. Most pay and reclaim processes only provide post-spend controls which leads to authorisation issues, overspending and employees at risk of non-reimbursement.

An expense solution that can cap spending for individual employees – adjustable in real-time if required, creates assurances for the business and an element of autonomy for the employee. In addition, pre-spend controls can be used to prevent unnecessary spending before it happens so there is no loss to the business or risk to employees of having to stump up for an unauthorised spend.

3 Approval speed (or lack of it)

Generally, employees can sit on expenses for a long time, particularly as many businesses are not currently operating out of a central office. This can mean cash flow control and visibility becomes more problematic. On the flip side, when expenses are submitted, the same employees are the first to complain about the speed of out of pocket (OOP) expense reimbursement. Both these problems can be eliminated with a combined expense management and card solution that works in real-time and that also offers pre-spend controls.

4 Regulation, compliance and meeting the needs of HMRC

Among the issues highlighted by the COVID-19 pandemic is how can businesses stay compliant when workers have no access to centralised systems while working from home? Even without the pandemic, the risk of not being fully compliant with HMRC while ensuring that all staff reimbursements are compliant and legitimate is extremely high.

One mistake or oversight can result in a fine, an audit, demands for back payments and possible reputational damage.



One mistake or oversight can result in a fine, an audit, demands for back payments and possible reputational damage. It can also mean that your business loses out on reclaiming VAT.

This can be mitigated with an expense management solution that creates HMRC compliant evidence with automated checks and balances to prevent errors and aid tax submissions. A streamlined digital process also ensures the appropriate documentation is already in place should tax auditors or inspectors come knocking.

5 Data and control – real-time reporting

It is often difficult to access accurate data to authorise claims, ensure that expenses are 'real' and cross-check against receipts. It's also over-complicated to get insights on cost centres and supplier activities as expenses may not be logged against the right type of accounting code.

With a robust expense management solution, teams can run reports with expenses coded in real-time, meaning they can monitor spend analysis and gain complete control over their expenses, cash and compliance requirements.



MAKING EXPENSES SIMPLER

Creating a future that's streamlined and stress-free.

With the right expense management solution, travel managers, finance teams and senior stakeholders can replace manual processes and dealing with employee frustration and spend more time on commercial growth and business strategy.

By using the latest technology to connect the entire expense chain - from pre-spend controls and payment through post-spend authorisation and reporting - they can shift the responsibility from employees and remove the administrative burden from departments. At the same time removing the burden of ineligible, inaccurate and unsubstantiated expense claims.

Key to this is integrated expense management apps which also support payments through 'all-in-one' business and fuel cards

An 'all-in-one' card (such as Allstar Plus) used in conjunction with expense management solutions (such as IntelliLink by Visa) allow expenses to be controlled, 'captured' and submitted as they happen, with data automatically flowing into finance systems (compete with all the relevant transaction data). No errors and no duplication.

Unlike traditional credit cards and proprietary platforms, these can be easily integrated with leading accountancy software packages, allowing finance teams to run reports and carry out in-depth analysis using a customisable dashboard.

The result? Less admin with a single streamlined process for all business expenses.

Digitising and mobilising expense management removes pain points and unlocks new business benefits including:



Greater visibility and enhanced control.

Employees can capture and connect all travel and expense spend whether it's booked through the company booking tool, with a travel management company, directly with suppliers, or through virtually any other source.

This provides increased company-wide visibility into what spending is happening where and when, which makes it easier to design and apply controls, negotiate rates and to reduce fraud.



Smarter working and spending.

Dashboards and reporting tools automate and simplify audits and finance trails, making compliance easier. Easy to use mobile apps allow quick and easy uploads of receipts plus commentary to help speed up approvals. And for managers approving claims, it helps identify out-of-policy spend.



Simple, seamless and fast.

Over the cloud solutions are fast and easy to deploy and deliver a future ready solution that is easy to adapt to changing policies. Mobile apps accelerate and ease use, increases efficiency and reduces administrative tasks.

STRATEGIC IMPERATIVE

The next steps to building a better solution

With so much to gain, businesses may be eager to begin their journey to automate expense management or to enhance their existing platform with additional functionality to streamline their processes even further.

Here are our top tips to trouble-free T&E empowerment:

1 Take stock of current (and future) processes

Planning is key to success. Before making any changes take time to evaluate your current expense management process and usage. Explore how this works for your business now, and how you want it to work in the future, e.g. level of automation, customisation, updates, reporting and integration. Assess whether you need extra support, e.g. to accommodate international taxes, boost security, audit for regulatory requirements.

2 Prioritise what's really important to deliver a better experience

Identify current behaviour patterns, how mobile your staff are and how tech-savvy they are (important when choosing interfaces). Establish where current bottlenecks exist, and make sure any potential barriers are clearly identified so they can be avoided in the new process. Get proper feedback from everyone involved in the chain - the users, the authorisers, the financial processors and the execs that require insight.



3 Consolidate payment solutions and suppliers

Take stock of how your business is currently funding expenses. This may be from multiple sources with various corporate accounts, fuel cards, business and personal credit cards as well as petty cash. By reducing the payment methods to those that offer the best reach, rates and repayment periods, you can help streamline processes and policies across your business while potentially saving on fees.

4 Collaborate with partners that can enable your vision

It's unlikely that your IT department will have the bandwidth or expertise to build a solution in-house, so chances are you'll need a partner. Choose one that has experience in your field, understands your workforce and has the pre-built technical solutions that can natively integrate with your specific systems - accounting, tax prep, ERP software, etc. Make sure you know exactly what they are supplying, the costs and timeframes involved.

5 Determine the technologies required

Once you decide on the level of automation, integration, customisation and mobility you require, you can build a more detailed specification.

This can include:

- ✓ Card-based payment cards, configurable to each user
- ✓ In-system reimbursement
- ✓ Document management including receipt scanning
- ✓ Expense entry, tagging and administrative editing
- ✓ Mobile accessibility or app
- ✓ Automated and customisable approval routing
- ✓ Configurable policies
- ✓ Standard and customisable reporting tools and dashboards
- ✓ Easy to navigate user interfaces
- ✓ Security features
- ✓ Integration tools compatible with current/planned enterprise/financial software

6 Create a compelling business case

It's a no brainer that an automated T&E system can help the business speed processes, reduce costs and improve efficiency. But to win support from C-level, avoid positioning it purely as a finance tool. Show how it will enhance productivity and efficiency company-wide.

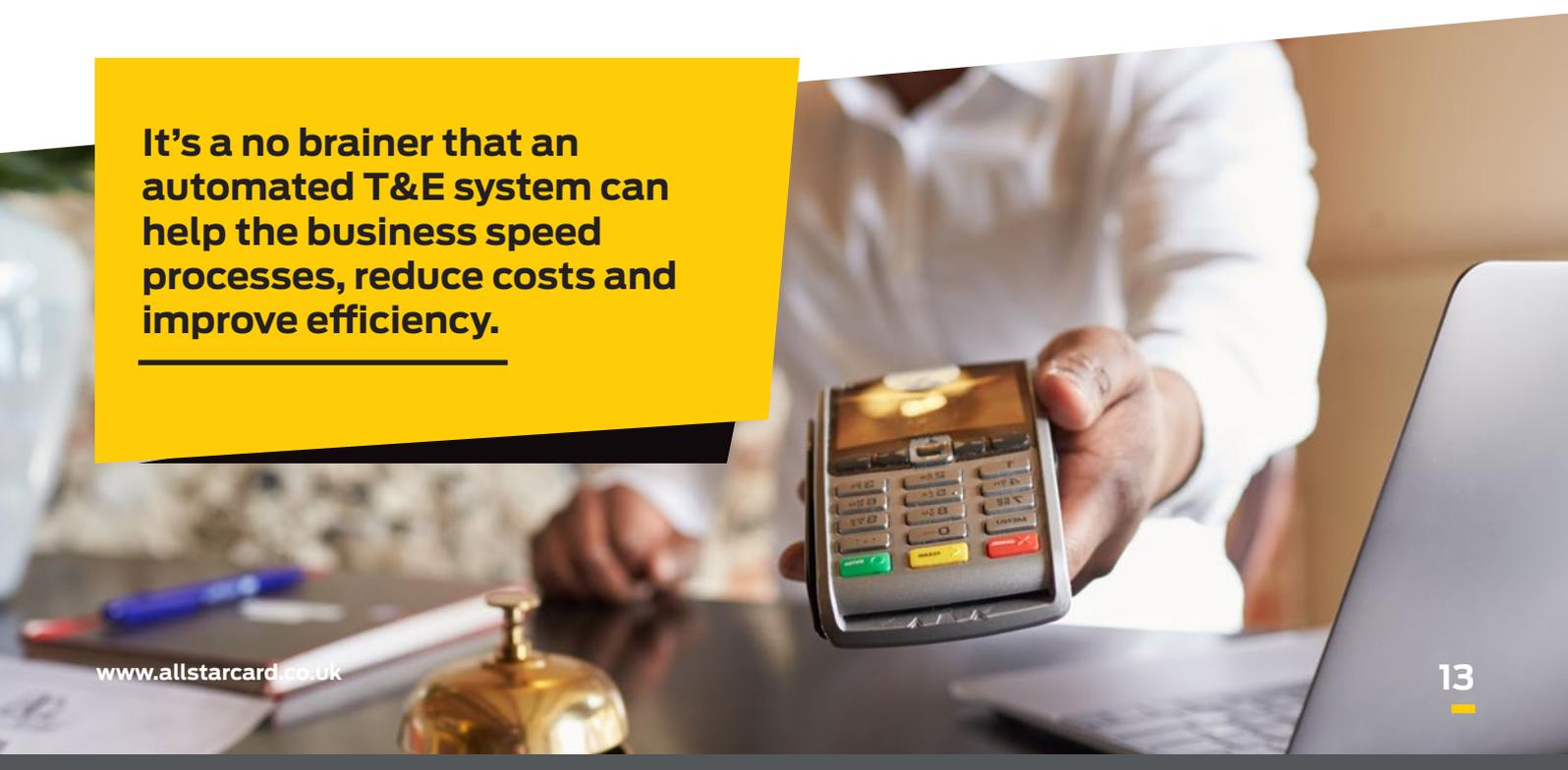
For example, freeing high-performing staff to generate more revenue, leading to more effective procurement, better supplier relations, mitigating risk and contributing to strategic decision making. Finally, don't forget to remind them that antiquated expense systems make you look outdated to employees, potential recruits and customers.

7 Deliver the solution

Ensure a smooth transition with proper training and support. Make sure staff have plenty of warning prior to implementation and that they understand the changes you are making and why (a good Q&A helps).

Implementation will be much easier if you have included key employees and influencers from across the business in the feedback and planning phase.

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CONCLUSION

It's clear that even the most robust manual T&E process or pay and reclaim policy is no longer enough to meet the needs of today's businesses, stakeholders and employees.

Being able to focus on long-term business strategies or ensuring staff wellbeing and high productivity shouldn't be compromised because of an archaic or fragmented expense system.

Digitisation, mobilisation, consolidation and automation is creating far-reaching benefits across all types of organisation. Employee expenses processes should not be left behind.

There is no justification why, with all the technology and mobile tools available to them in 2020, companies are still pushing admin responsibility for expenses onto staff - expecting them to wait for payment, work out of hours to complete claims and to hold on to every receipt or evidence of spend.

If any of the challenges outlined in this report resonate, you aren't alone.

But expenses don't have to hold you back. The T&E management process no longer needs to be paper-based, fragmented or slow. Modern, digitised and unified solutions can automate processes and remove multiple headaches across the organisation, specifically in finance, operations and procurement departments.

They can boost productivity and control and provide significant company-wide benefits including:

- ✓ Expense recording as it happens
- ✓ Minimising errors and queries at source, removing departmental conflict
- ✓ Effortless validation, authorisation, reporting and auditing
- ✓ Greater savings opportunities through better visibility and smarter T&E data
- ✓ More effective cash flow monitoring and the ability to scale up and grow

An icon of two hands shaking, symbolizing agreement or partnership.

with the right technology and solution, you can empower employees to get on with business without the worries normally associated with manual processes...

Remember that T&E is the highest controllable expense after payroll and modernising the way you manage expenses will help you reach your business goals around compliance, control, cost savings and productivity.

At the same time, it will empower employees to get on with business without the worries normally associated with manual processes such as time wasting and being out of pocket.

At Allstar we have been serving businesses large and small for over 40 years, helping them to reduce their business expense costs and admin, saving them time and money. We work across the UK, helping over 40,000 businesses with fuel and business administration and providing local support to cover their expense needs.

Talk to us today and discover how expense management solutions can simplify your expense process, give you full visibility over spending, and importantly remove the headache of policy enforcement.

www.allstarcards.co.uk

07704 017 284

sales@allstarcards.co.uk

About Allstar Business Solutions

Allstar Business Solutions is a leading UK business and fuel expenses card provider with over 40 years of industry experience. Allstar provides its customers with access to the UK's largest fuel card network. The Allstar fuel cards are accepted at most UK fuel sites, including at all major oil brands and low-cost supermarket sites.

About FLEETCOR Technologies, Inc.

FLEETCOR Technologies, Inc. is a leading global provider of commercial payment solutions. The company helps businesses of all sizes better control, simplify and secure payment of their fuel, toll, lodging and general payables. With its proprietary payment networks, FLEETCOR Technologies, Inc. provides affiliated merchants with incremental sales and loyalty. FLEETCOR Technologies, Inc. serves businesses, partners and merchants in North America, Latin America, Europe and Australasia. For more information, visit fleetcor.com.

www.allstarcards.co.uk

sales@allstarcards.co.uk

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