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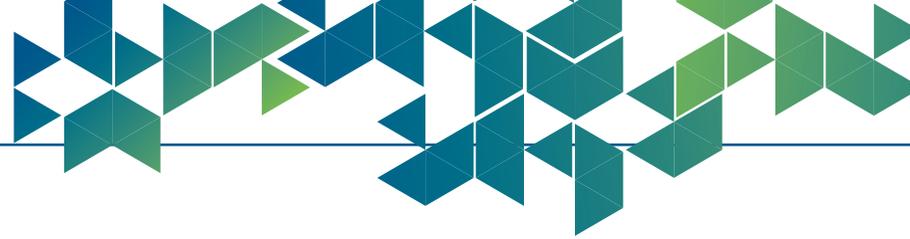
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# How Effective Travel And Expense Management Contributes To Small Business Growth And Profitability

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An eighteen-year study on the impact of business travel found that every dollar a business invests in travel and expense spending returns an average of more than \$10 in revenue and \$3 in profit.

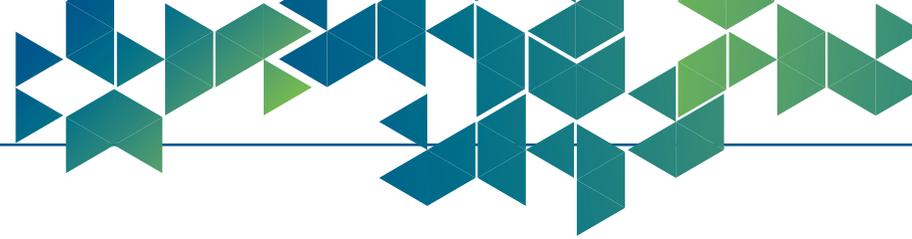
While this data offers a clear and compelling reason to invest in business travel, many businesses are seeing their growth opportunities dashed by inefficient manual expense reporting and employee reimbursement processes. And for small businesses in particular – the majority of which are using some form of manual expense reporting process – the barriers to growth created by these productivity-draining procedures can seriously cut into the bottom-line. Fifty-four percent of small businesses identify the need to identify cost reductions is their top pressure, according to research from Ardent Partners.

Manual expense reporting systems also offer limited functionality and are difficult to scale – a crucial consideration for the 21 percent of small businesses that expect to grow their revenues by more than 30 percent over the next three years, according to a 2015 Accountex survey. Manual systems also are notoriously inefficient and frustrating for traveling employees and accountants alike.

These common expense management pitfalls that can cost small businesses money and hold back their growth and profitability are entirely avoidable with web-based expense reporting solutions.

This white paper details the importance of business travel to small businesses, the hidden costs of manual expense reporting, the benefits small businesses achieve by switching to an automated expense reporting solution, and the key features to look for in an expense reporting solution.





## The Importance Of Business Travel

Business travel – which includes meetings with prospective and existing customers, conferences and trade shows, and incentive trips – drives revenues and profits for small businesses in all industries.

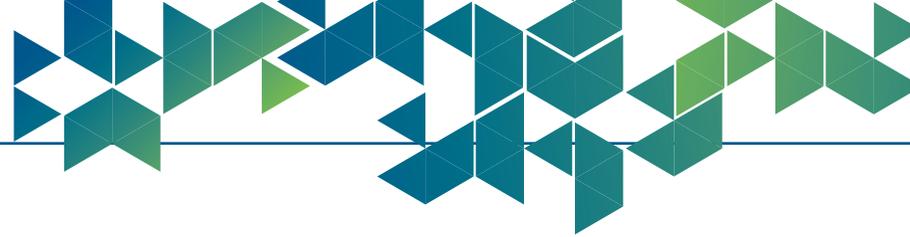
In 2015, U.S. businesses spent an estimated \$310 billion on travel, according to the Global Business Travel Association. A whopping \$100 billion of this spending – and nearly 1 million U.S. jobs – are linked to meetings and events, the U.S. Travel Association reports. Overall, 60 percent of businesses have workforces that travel at least four weeks per year, according to PayStream Advisors.

Small businesses (defined as having less than \$100 million in annual revenues) spend an average of approximately \$700,000 per year on business travel, PayStream Advisors reported in 2016.

Businesses travel delivers an average return of revenue of between \$10 and \$14.99, according to research from Oxford Economics. What's more, every dollar spent on business travel delivers an average \$3.80 in new profits. Not surprisingly, Oxford Economics found that customer meetings provide the greatest returns, delivering revenue of between \$15 and \$19.99 per dollar invested. Conferences and trade shows deliver revenue of between \$4 and \$5.99 per dollar spent. In fact, more than half of business travelers surveyed by Oxford Economics estimate that between 5 percent and 20 percent of their company's new customers were the direct result of trade show participation.

**Adding new customers was the top business priority identified by small businesses surveyed by Accountex in 2015. Increased revenue was the second most-important priority.**



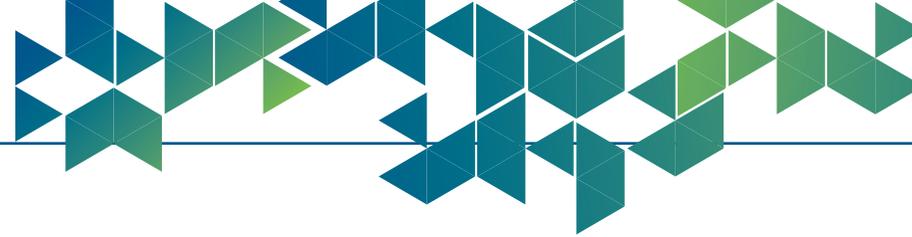


Conversely, cutting back on business travel poses significant business risks. Business travelers surveyed by Oxford Economics said that 25 percent of existing customers and 28 percent of all revenue could be lost to competitors if customers were not met in person. More than 75 percent of customers either require or prefer in-person meetings, according to business travelers. For most industries, larger customers (in terms of revenue) would likely be lost if they were not met in person, Oxford Economics warns. The average business would forfeit 17 percent of its profits in the first year of eliminating business travel, and it would take more than three years for profits to recover. The risk of cutting back on business travel is most acute in the manufacturing sector, where 36 percent of existing customers and 38 percent of all revenue could be lost to competitors.

In fact, Oxford Economics' data from 2007 to 2011 industries that spent the most on business travel throughout the recession posted higher profit growth than businesses that cut back on business travel.

# FACE TIME IT MATTERS

**Business travelers reported that 25 percent of existing customers and 28 percent of all revenue could be lost to competitors without face-to-face customer meetings**



## The Hidden Costs Of Manual Processing

While investing in business travel delivers proven returns for small businesses, manually processing expense reports can limit these returns, as well as opportunities for revenue and profit growth.

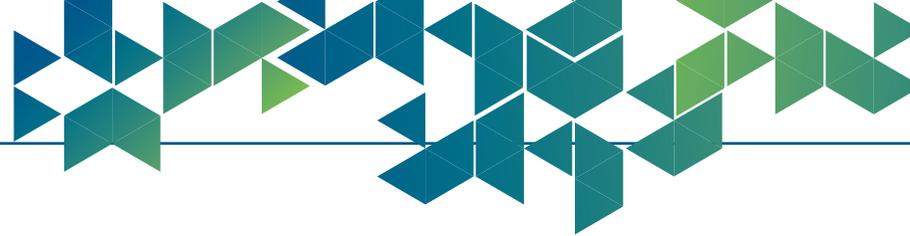
Seventy percent of small businesses manually process their expense reports, according to Certify's 2016 Travel & Expense Management Survey and research from the Global Travel Association.

In a manual expense reporting environment, employees must gather receipts and itineraries, record any non-receipt items, manually enter expenses and related information (such as expense category, vendor, date, etc.) in a spreadsheet, print the completed spreadsheet, tape or staple receipts to a piece of paper, make copies of the receipts, sign and date the report, and present or mail the expense report to a manager for approval. Managers then check expense reports for receipts, review reports for non-compliant expenses, report any errors to the employee to restart the processing of the expense report, approve and sign the reports, and possibly route the reports to another manager for approval.

*Many organizations process travel and expense spend manually, and as a result, face many challenges in efficiency and control, according to PayStream Advisors.*

Once expense reports have been approved, accountants verify receipts, manager approvals and compliance with corporate policies, match receipts with line-items and verify vendors and the dates of expenses, manually enter expense data into the company's accounting software, and manually enter the data from the accounting software into the company's payroll solution for reimbursement. In a manual expense reporting environment, accountants and administrators can spend a tremendous amount of time reconciling expenses, reviewing for policy compliance and/or violations, checking for approvals, issuing reimbursements for employees, and accounting for expenses in the general ledger. Also, finding errors on reports or locating missing receipts in a manual expense reporting environment can mean significant delays and rework for everyone involved. Complicating matters, managers and accountants receive expense reports from employees throughout the quarter.

*Twenty-seven percent of small businesses identify improved efficiency and productivity as their top objective where they need guidance, according to Accountex.*



Thirty-seven percent of businesses surveyed by PayStream Advisors identified manual data-entry and inefficient processes as their top expense management challenge. Other challenges include a lack of visibility into spend (identified by 22 percent of businesses surveyed), an inability to enforce corporate travel policies (13 percent), and lengthy reimbursement cycles (11 percent).

Eleven percent of businesses cited the high cost of processing an expense report as a top challenge, while six percent said an increase in overall travel and entertainment expenses was a challenge.

However, manual expense reporting is probably costing small businesses even more than they think. For starters, 45 percent of small businesses do not track the cost of processing expense reports. What's more, manual expense reporting includes "hidden costs" that can add up quickly:

- **Man hours to create, review and approve receipts**
- **Hard costs for paper, printing and postage**
- **Time required for reconciliation and reimbursement**
- **Fees to physically store and retrieve expense reports**



Moreover, manually processing expenses increases the risk of fraud. Oversight Systems reports that expense fraud accounted for nearly 14 percent of all occupational fraud in 2014. Businesses with fewer than 100 employees experienced 28 percent higher fraud losses than their larger peers.

Manual processes also make it difficult to ensure compliance with corporate travel policies. For instance, the number of business travelers booking first-class or business-class seats increased 11 percent in 2015, according to Travel Leaders Corporate 2015 Business Travel Forecast and Insight. With Ardent Partners reporting that the average small business only manages 49 percent of its total spending, small businesses are likely losing a lot of money to wasteful business travel spending.

No wonder travel and expense spending is the second-most difficult operating expense category to control, according to Forrester Research, a Massachusetts-based research and advisory firm.



## The Migration To Web-based Expense Reporting

With Aberdeen Group reporting that the average business budgets as much as 12 percent annually for travel, finding ways to control spending and efficiently process expense reports is crucial to growth.

That's where web-based expense reporting solutions come in.

These solutions automate expense management, including pre-trip authorization, booking, expense reporting, approval and reconciliation, expense reimbursement and post-trip analysis.

Fifty-two percent of best-in-class organizations automate key components of expense management, Aberdeen Group reports. Some of the expense reporting strategies used by best-in-class organizations include: online travel booking (used by 87 percent of best-in-class organizations), commercial cards (77 percent), automated end-to-end expense management (68 percent), and integration of an expense management platform with back-end systems (58 percent).

And it's not just large businesses that are moving away from manual expense report processing. Thirty-seven percent of small businesses plan to upgrade to a web-based system for expense report processing, according to Certify's 2016 report on expense management trends. Moreover, 69 percent of the small businesses surveyed will switch to a web-based system by the end of 2016.

Small businesses identify five reasons for upgrading to a web-based expense reporting process:

1. **The reduction or elimination of spreadsheets for expense reporting**
2. **Less time creating, approving and reimbursing expense reports**
3. **The reduction or elimination of manual data-entry for expense reporting**
4. **Increased oversight into travel and entertainment spending**
5. **Greater frequency of report submission**

Two-thirds of the small businesses surveyed by Certify expect that upgrading to a web-based system will simplify their expense reporting. In fact, Certify finds that 87 percent of small businesses achieve full return on investment on their web-based expense reporting systems in one year or less.





## Increasing Profits With Automation

Automated expense reporting can contribute to the growth of a small business.

Research from Aberdeen Group and PayStream Advisors finds that web-based expense reporting solutions are helping businesses of all sizes achieve significant bottom-line benefits, including:

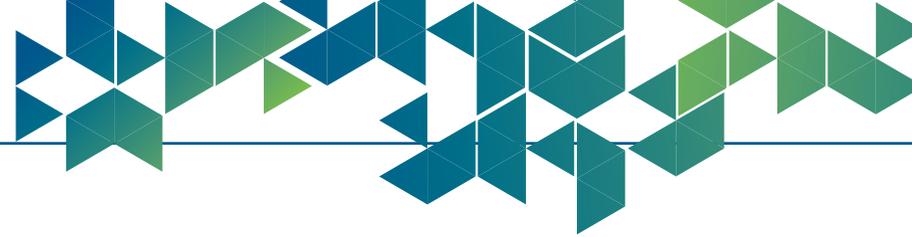
- **65 percent reduction in expense report processing costs via mobile expense reporting**
- **29 percent improvement in employee productivity through expense report automation**
- **87 percent rate of compliance with travel and expense policies**
- **39 percent higher employee satisfaction after switching to automated expense reporting**
- **28 percent reduction in the time accountants spend approving expenses**

*Adopting partial or full travel expense management automation can have a great effect on an organization's bottom line, according to PayStream Advisors.*

Tracking and applying unused tickets with an automated solution also can reduce a company's total annual travel budget by 5 percent to 8 percent, according to GBTA's Ancillary Fee Handbook.

And switching to an automated expense reporting solution reduces paper usage and postage costs.

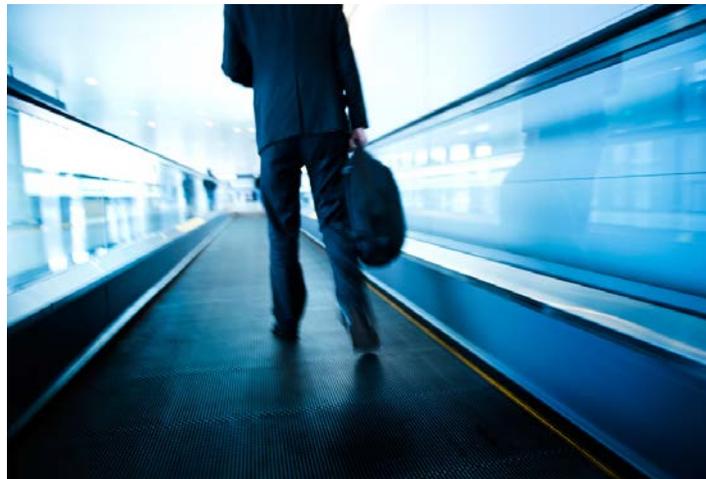
Additionally, the travel booking controls in some expense reporting solutions reduce travel expenses. For instance, built-in pre-trip approval requires manager authorization prior to booking. Approval rules are configurable by employee, policy specifics, and other variables. Some solutions also offer lowest logical fare functionality that automatically identifies the best available rates for an itinerary.



Overall, businesses can reduce their expense processing costs by \$36 to \$64, depending on the level of automation, American Express finds. Automation enabled 36 percent of small businesses surveyed for Certify's 2016 Travel & Expense Management Survey to reduce their processing costs, while 61 percent of those surveyed improved the efficiency of their expense reporting process.

It is no wonder that it costs best-in-class businesses approximately one-sixth of what it costs laggard businesses to process expense reports (\$7.17 per expense report versus \$41.12 per expense report).

Automated expense reporting delivers additional benefits. Eighteen percent of small businesses say mobile accessibility is a major contributor to return on their investment in an automated expense reporting solution, according to Certify's 2016 Travel & Expense Management Survey. Eighteen percent of small businesses identified the elimination of payment for duplicate as a contributor to the return on their automation investments, while 27 percent cited improved employee productivity.



**Organizations with expense management automation see improvements in visibility over spend, shorter reimbursement cycles, and travel policy enforcement, PayStream Advisors finds.**



What's more, regularly monitoring expense compliance, such as with an expense reporting solution, reduces fraudulent spending by 70 percent, the Association of Certified Fraud Examiners reports. Web-based expense management solutions automatically audit travel expenses for each employee. Five percent of businesses surveyed by PayStream Advisors said they improved their ability to detect and prevent fraud as a result of adopting a web-based expense management solution.

Another somewhat unexpected result of switching to a web-based expense management is the systems' ability to enhance traditional accounting functions. Businesses surveyed by Certify in 2016 were able to leverage their expense reporting systems to assist with annual budgeting and planning (44 percent), auditing (43 percent), invoicing and payments (39 percent), regular forecasting (28 percent), as well as financial reporting (Sarbanes-Oxley), vendor negotiations, and more.

Twenty-two percent of businesses surveyed by PayStream Advisors achieved improved visibility over spend as a result of adopting a web-based expense management solution.

All of these benefits can have a big impact on the growth and profitability of a small business.



**Top-performing companies are 20 percent more likely than all others to regularly report on expense spending by category, Aberdeen Group reports.**



## Choosing The Right Expense Reporting Solution

Is your business ready to make the switch to a web-based expense management solution?

Choosing the right expense reporting solution can be a daunting task for small businesses.

To ensure a small business selects the right technology for its needs, research and advisory firm PayStream Advisors recommends looking for solutions with the following must-have features for pre-trip planning, mid-trip expense reporting, and post-trip expense reimbursement and analysis:

1. **Pre-trip planning templates and approval workflows**
2. **Integration of expense reporting solution with competitive travel booking tools**
3. **Receipt scanning and the ability to attach related digital content**
4. **Mobile expense management (report creation/submission, approval workflow, etc.)**
5. **Configurable expense reporting templates and approval workflows**
6. **Integration of corporate and personal credit cards**
7. **Dashboard reporting of spending**
8. **Support for electronic payments such as purchasing cards**
9. **Consistent audit rules and expense types**
10. **Automated employee reimbursement options**





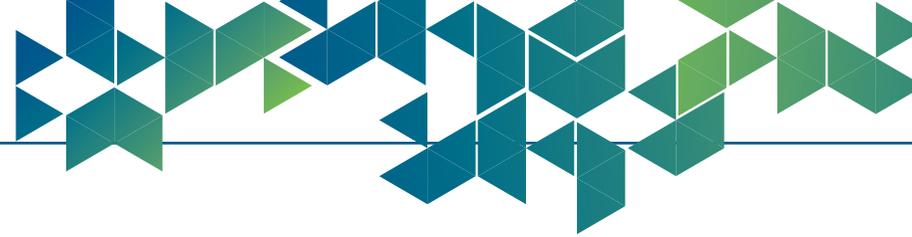
There also are several enhanced capabilities offered by leading solutions providers that PayStream Advisors says small businesses should consider when evaluating expense reporting technology:

1. **Native travel booking tool**
2. **Optical character recognition (OCR) receipt capture**
3. **Mileage tracking tool**
4. **Extensive approver capabilities, including line-item split and ability to partially reject reports**
5. **Cross-compatibility support for users switching from different devices**
6. **Global adaptability for languages, currencies and tax regulations**
7. **GPS and employee location services**
8. **Travel data benchmark reporting**
9. **Post-trip analysis and expense reporting audit features**
10. **Integration with enterprise resource planning (ERP), customer relationship management (CRM) and payroll systems, as well as APIs for data integration into existing systems**



Professional services organizations surveyed by PayStream Advisors identify expense report analytics and reporting as the most important feature of an expense reporting solution. Expense report auditing tools are the most valued feature to education organizations, while mobile expense management is the most important feature to healthcare and medical organizations. Travel booking is the most important feature to manufacturers, while non-profits value employee reimbursement capabilities above all other expense reporting capabilities, according to PayStream Advisors.

Small businesses also should consider a solution provider's track record with companies of their size and industry. Small businesses operating internationally also should evaluate a solution provider's capabilities for supporting multiple languages, currencies and tax regulations.



## Conclusion

Small businesses have big plans for growth and profitability. To achieve these objectives, small businesses must effectively manage their overhead and improve visibility into spending. Automating expense management is an opportunity for small businesses to accomplish these objectives. Business travel is an important driver of growth for businesses of all sizes. But manual expense reporting processes can limit return on business travel investments and opportunities for growth. Web-based expense management systems eliminate the long-standing pain points of expense reporting to provide small businesses with tremendous time- and money-saving efficiencies, and improve life in the workplace. Importantly, these web-based systems also reduce the complexities of revenue growth, global expansion, or an increase in the number of employees submitting expense reports each month. All of which makes web-based expense reporting crucial to the future success of small businesses.

## About Certify

With thousands of users and satisfied customers worldwide, Certify is the leading fully automated travel and entertainment expense management solution for companies of every size. The easy-to-use Certify cloud-based interface and mobile application with electronic receipt capture allow organizations to book travel and complete expense reports and reimbursement quickly, easily, and cost-effectively. All while reducing overhead processing costs, increasing compliance with corporate policy and simplifying the overall T&E management process for employees, accountants and administrators. Uncover your hidden T&E expense reporting costs today at [www.certify.com/Expense-Management-Cost-Calculator](http://www.certify.com/Expense-Management-Cost-Calculator) .

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