

Strategies for Success – The White Paper Series from Concur

## **Building an Effective Business Case: Automating Travel Booking and Expense Reporting Processing**

### **ABSTRACT**

Automation of the travel booking and expense reporting process is a growing trend as businesses seek to streamline and increase efficiency. The economic benefits found in automation are prompting organizations all over the world to make travel and expense management initiatives part of their strategic plans. This white paper explores specific steps and examples in the creation of an effective business case for adopting an automated travel booking and expense reporting solution.

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## WHAT IS A BUSINESS CASE AND WHY IS IT REQUIRED?

The intention of a business case is to capture the reasoning behind initiating a project or task. Organizations utilize business cases to rank competing projects for funding or resources, and based on internal criteria, they can determine which projects to fund. The strategy behind a business case should support the business in instances where resources, such as time and money, are spent. Business cases are also used to measure how well a project was executed after the fact and whether the project yielded the benefits or financial results that were predicted.

Many times, a business case is portrayed in the form of a well-organized document, but can also be a verbal presentation. From highly detailed and structured to short and informal, the scope of a business case can vary depending upon the particular organization. Often included in a formal business case is the history behind the project, benefits, options considered (including explanations for accepting or declining each choice), any anticipated expenses, potential risks and a gap analysis. A business case could also include the alternative of not doing anything, and the risks surrounding this choice. The results of this option could provide the validation needed to start the project.

## INFORMATION REQUIRED TO BUILD A BUSINESS CASE FOR TRAVEL AND EXPENSE AUTOMATION

To build a business case for automating the travel booking and expense reporting process, there is some preliminary data that you must have for an analysis. For instance, it helps to know the basics, like:

- Total number of employees
- Average number of travel booking transactions per month
- Average number of expense reports processed annually
- Total T&E expenditure annually

This short list of requirements will help you to determine if your organization will benefit from implementing a travel and expense automation tool.

## MAKE THE BUSINESS CASE YOUR OWN

When creating your business case, it's important to make it your own. You must be comfortable defending the savings analysis to your colleagues. Also, feel free to adjust the analysis until it adequately reflects your business.

## STRUCTURE OF THE BUSINESS CASE

There are a variety of formats when producing a business case, but the most popular layout includes:

- A. An Executive Summary at the beginning of the business case that touches on the main points of each section
- B. An Introduction that clearly states the purpose and objectives for the project
- C. Methods and Assumptions to discuss who and what costs are involved, benefits over a given period of time, and what made it in and what did not
- D. Business Impacts disclosing financial and non-financial impacts (one or multiple scenarios)
- E. Sensitivity, Risks and Contingencies to consider depending on the Methods and Assumptions
- F. Conclusions and Recommendations stating specific actions

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## PRIMARY DRIVERS FOR TRAVEL AND EXPENSE AUTOMATION

Automated solutions have provided positive results for many companies recognizing the need to streamline business processes, gain higher visibility, increase control and reduce costs. More detailed information can be found in Concur's white paper, *One Touch Business Travel and the End of the Expense Report*.

A quick summary of the main drivers for implementing an automated solution might include:

### RAPID ROI

With an automated on-demand travel and expense solution, return on investment (ROI) is realized very quickly. On-demand software is an easy and affordable way for companies to quickly streamline troublesome manual processes. Automation brings lower costs for travel booking and expense report processing. Procuring travel online costs significantly less and has lower transaction costs than using a traditional travel agency for air, hotel, and car reservations. Recent studies show that the transaction cost for an online-booked reservation was 40 to 50 percent lower than an agency-assisted reservation.<sup>1</sup> Automating the expense reporting process also helps to increase ROI by saving employee time, and in some cases, reducing the number of employees needed to process expense reports. On-demand solutions that are up-and-running quickly can yield rapid ROI with minimal resources and none of the ongoing costs associated with traditional enterprise-wide applications.

### INCREASE COMPLIANCE AND CONTROL OPERATIONAL COSTS

Reducing expense report processing time is a key benefit of automation. It is accomplished through comprehensive workflow for approvals, by leveraging imaging for receipt capture (which expedites approvals and audit), and targeted audit (for rule violations, exception audits, etc.). In fact, many companies audit 100 percent of expense reports when they are processing manually and upon automation they can then adopt the best practice of 20 percent random audit. In addition, the ability to reimburse employees directly via payroll or into their specified bank accounts drives rapid reimbursement. This saves time and costs in comparison to cutting checks. A 38 percent improvement in compliance (according to Aberdeen Group) from an end-to-end travel and expense solution is achieved in multiple ways. The reason cited by most organizations for lack of compliance is poor communication and inefficient tools.<sup>2</sup>

### ENHANCE VISIBILITY

On top of automating the entire travel and expense management process, technology suppliers also have developed powerful reporting capabilities that provide companies with enhanced visibility into their T&E spend. By automating, these organizations are able to drive additional costs out of their businesses and extract even greater business value from the data they collect. When organizations know where and how their employees are spending, data can be leveraged to negotiate supplier discounts and mandate employee behavior. With a single, unified, automated solution, companies have visibility into actionable T&E spend data allowing them to make smarter business decisions.

Aside from the cost benefits, enhanced visibility is also important for security purposes. Today's travel booking tools allow organizations to know where traveling employees are at all times. Should an emergency arise, employees can be located quickly.

The primary drivers for automation are to gain visibility and become more economically efficient.

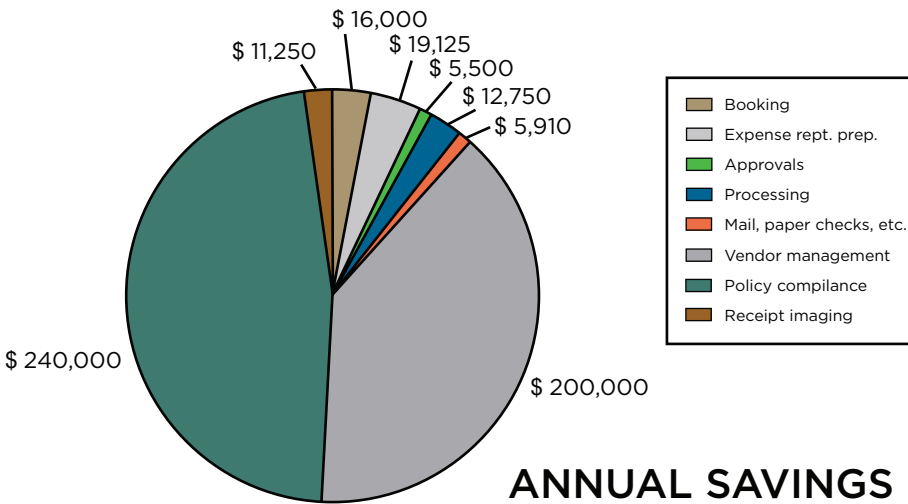
### ECONOMICS OF COMPLIANCE

Travel is the second largest controllable expense behind payroll.<sup>3</sup> On average, approximately 20 percent of T&E spend is out of policy with one in every five T&E expenses in violation.<sup>4</sup> Out of compliance spending can add up quickly, costing organizations large sums of money.

According to USA Today, 11.6 percent of the time hotel charges varied from reserved rates, and on average, the errors result in \$11.35 per night overpayment. American Express also found that 56 percent of the time room rates quoted by reservation systems differ from the contracted rate. With better spend management and data visibility, out of policy T&E spend and rate inconsistencies can be caught. Automated tools have the ability to highlight where spend is going, determine if it is in or out of policy and catch rate variations.

### KEY BUSINESS CASE DRIVERS FOR T&E AUTOMATION SAVINGS

As mentioned in a recent Aberdeen Group report, significant cost and time savings can be attained by implementing an automated travel and expense solution. Before automation, the average survey respondent was paying \$26.06 per transaction fee for booking a travel reservation. After automation, travel booking fees dropped to an average of \$9.00, a 65.5 percent savings.<sup>5</sup> Meanwhile, the time needed for the expense reporting process was reduced for all employees involved. Creation of a new expense report dropped from 28 minutes to 15 minutes, manager review time decreased from four minutes to one minute, and lastly, the processing time required by the accounting staff fell from 22 minutes to five minutes.<sup>6</sup> It was also found that supplier management savings improved by five percent, while compliance increased by six percent after automation.



### EXAMPLE: SAVINGS ANALYSIS FOR A MEDIUM-SIZED ORGANIZATION

As an example, let's dive into the savings that a typical medium-sized organization can realize when they automate their travel booking and expense reporting process. Our fictitious company, ABC Inc., has a total of 1,000 employees based in three separate countries. ABC Inc. has \$4,000,000 of annual T&E spend, with 250 booking transactions per month and 3,000 annual expense reports. Based on the average savings found by Aberdeen Group's report, ABC Inc. has a potential yearly savings \$510,535.

#### SUPPLIER NEGOTIATION AND MANAGEMENT

Total annual spend reimbursed via expense reporting:	\$4,000,000
Potential percentage savings from supplier management:	5 percent
Potential annual savings from supplier management and negotiations:	\$200,000

#### POLICY COMPLIANCE

Total annual spend reimbursed via expense reporting:	\$4,000,000
Potential savings from compliance and accuracy:	6 percent
Potential annual savings from compliance and accuracy:	\$240,000

#### WHAT IF THE NUMBERS LOOK TOO GOOD?

Savings calculators can often produce very optimistic scenarios that may not seem realistic. There are a number of factors considered when calculating the ROI, and many of these options can be adjusted to fit your organization. All savings associated with "time" savings can be removed or adjusted. Also, lowering the assumptions regarding policy compliance and supplier management, which makes up typically 80 percent of the potential savings from T&E automation, is another area to adjust. And, don't forget the potential costs that you have not included such as technology costs and expenses related to employee time needed to administer new technology. With these adjustments, our above example's potential annual savings of T&E automation becomes \$290,535 (reduced by \$220,000 – half of Policy Compliance and Supplier Negotiation and Management) – a conservative estimate that still illustrates the tremendous potential for savings.

#### SUMMARY

With the help of a business case, you can determine if travel and expense automation makes sense for your organization. There are many reasons organizations choose to automate their travel and expense process. The primary drivers for automation are to gain visibility and become more economically efficient. Economics ultimately drive the business case which organizations use to compare against other key initiatives within the business. Automated corporate travel and expense management solutions provide an opportunity to reduce direct and indirect costs, driving significant savings to a company's bottom line. This is prompting organizations all over the world to make travel and expense management initiatives part of their strategic plans.

#### NEED ADDITIONAL HELP BUILDING YOUR BUSINESS CASE?

Concur can help you understand what the potential savings opportunity is for your organization. Concur can provide you with a business case template, customized savings analysis and an Aberdeen Group white paper detailing savings opportunities from travel and expense automation. Armed with this information, you and your team can then make an informed decision as to what course of action makes the best sense for your organization. For more details please visit [www.concur.com](http://www.concur.com).

Automated solutions have provided positive results for many companies recognizing the need to streamline business processes, gain higher visibility, increase control and reduce costs.

## ABOUT CONCUR

Concur is the world's leading provider of on-demand Employee Spend Management services. Concur helps organizations control costs by uniting online travel booking with automated expense reporting, and streamlining invoice processing. Concur's suite of award-winning on-demand services allow companies to get up and running quickly so they can focus on what's most important. By automating and optimizing business processes, Concur delivers actionable business intelligence and rapid ROI, helping companies increase efficiency, control employee spend and drive down operational costs. Concur's business travel and invoice solutions are trusted by thousands of companies and reach millions of employees worldwide. Learn more at [www.concur.com](http://www.concur.com).

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(1) Aberdeen Group Report 2008  
- Leveraging Data to Drive Performance  
(2) Aberdeen Group 2006  
(3) Jupiter Research  
(4) Aberdeen Group  
(5) ADP Survey Results