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A View into the Cloud: The Future of Expense Management

Management of expenses related to travel and entertainment (T&E) has historically been defined as no more than a series of back-office functions. However, with 8% to 12% of the average organisation's total budget now spent on business travel, this complex and indirect spend category is now viewed as a growing strategic internal function (as stated by nearly 70% of companies in the *T&E Expense Management* research study (February 2012)). With growing strategic importance placed on this category, it becomes even more critical to leverage next-generation technology. This Analyst Insight discusses cloud solutions and their role in the future of T&E expense management.

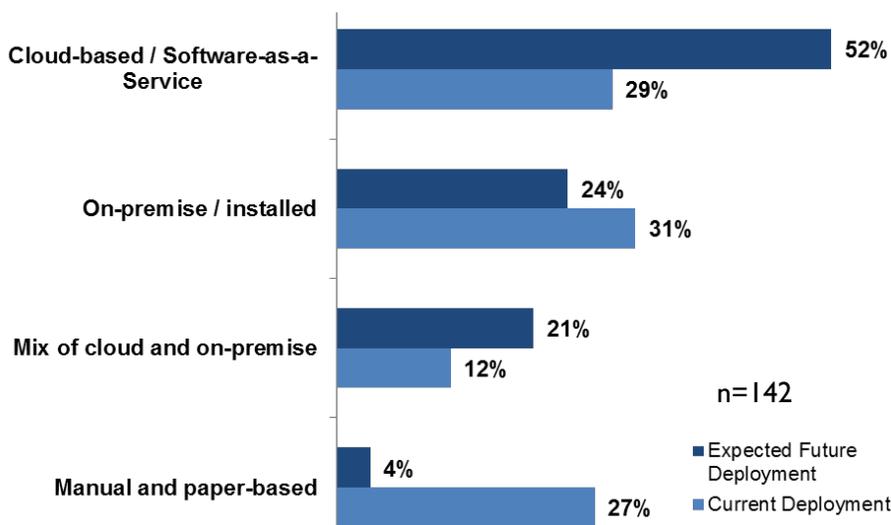
Analyst Insight

Aberdeen's Insights provide the analyst's perspective on the research as drawn from an aggregated view of research surveys, interviews, and data analysis

Expense Management in the Cloud

Expense management technology is not a new enabler; for the past twenty years, solution providers have automated the major procedures within expense management (creation, submission, approval workflow, auditing, reimbursement, etc.). The deployment of this technology has evolved during that span, however, to reflect the modern landscape. As shown in Figure 1, organizations are currently relying on both on-premise and cloud-based expense management solutions. However, when looking into the future of this space, the cloud is expected to be the premiere technology offering.

Figure 1: The Technological Future of Expense Management



Source: Aberdeen Group, February 2012

Aberdeen research has discovered that "the cloud" is targeted as a long-term solution within the average organisation's expense management technology roadmap. In looking at the future of expense management technology, the vast majority (73%) of organisations are expected to leverage either a cloud-based / software-as-a-service (SaaS) or hybrid mix (cloud and on-premise) solution. This aspect directly reflects the "next-generation" notion of T&E expense management over the next decade, as evidenced in the *T&E Expense Management* research study. Organisations will look to the cloud for simple accessibility for all executives and business travelers, as well as real-time attributes that will be detailed in this Analyst Insight.

The Cloud and Best-in-Class Organisations

Top-performing enterprises in the *T&E Expense Management* research study were noted for their superior performance across a series of key metrics under the expense management umbrella. Best-in-Class enterprises have driven:

- 60% lower expense-processing costs than all other organizations
- A 43% higher rate of business travel spend under management
- A 31% higher rate of corporate policy compliance

The Best-in-Class T&E expense management programme includes a multitude of attributes that have helped them streamline key expense management processes and drive superior performance across the scope of key metrics detailed above. In fact, Best-in-Class companies are nearly 40% more likely than all others to leverage cloud-based T&E expense management technology than all other organisations.

The Cloud Differentiator

Aberdeen research analyses specific capabilities and technology solutions and not only provides a framework in which organizations can evaluate their own attributes, but also deep-dives into the precise performance advantages of various enablers and solutions. As shown in Table 1, organisations currently leveraging a cloud or hybrid expense management offerings have achieved better results than those currently leveraging on-premise technology.

Table 1: Performance Comparison, Cloud / Hybrid vs. On-Premise

Key Performance Metric	Cloud and Hybrid	On-Premise
Compliance to corporate travel policies and guidelines	76%	59%
Business travel spend under management	68%	53%
Cost to process a single expense report	\$9.70	\$13.20

Source: Aberdeen Group, February 2012

Best-in-Class Criteria

The following aspects were used to determine Best-in-Class organizations in Aberdeen's 2012 *T&E Expense Management* benchmark report, with top-performers achieving impressive results in:

- √ Compliance to corporate travel policies and guidelines
- √ Expense-processing costs
- √ Business travel spend under management

Best-in-Class: Top 20% of aggregate performance scorers

Industry Average: Middle 50% of aggregate performance scorers

Laggard: Bottom 30% of aggregate performance scorers

Aberdeen research has found that current users of cloud-based or hybrid (mix of cloud and on-premise deployment) T&E expense management technology have experienced the following results:

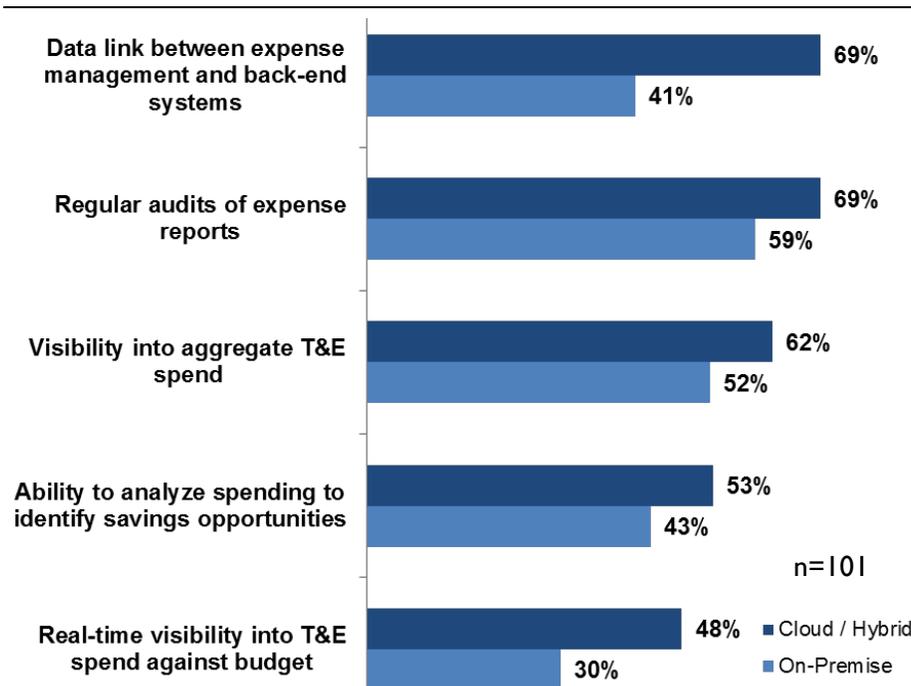
- 27% lower expense-processing costs than users of on-premise solutions
- 22% higher rate of compliance to corporate travel policies and guidelines, and;
- 22% higher rate of business travel spend under management.

During the next two sections, we will explore the precise attributes of cloud solutions that have enabled this level of top-tier expense management performance.

The Cloud's Enablement of Key Attributes

Aberdeen research utilises a unique structure that details the various internal capabilities of top-performing organisations in their quest to streamline key programme attributes and drive consistent value. The Competitive Framework, as detailed in the [T&E Expense Management](#) research study, outlined the necessary internal capabilities to reach a Best-in-Class level of success. Figure 2 highlights those same capabilities as viewed by cloud / hybrid users in comparison to those organisations currently leveraging on-premise technology.

Figure 2: Core Expense Management Capabilities as Enabled by Cloud Solutions



Source: Aberdeen Group, February 2012

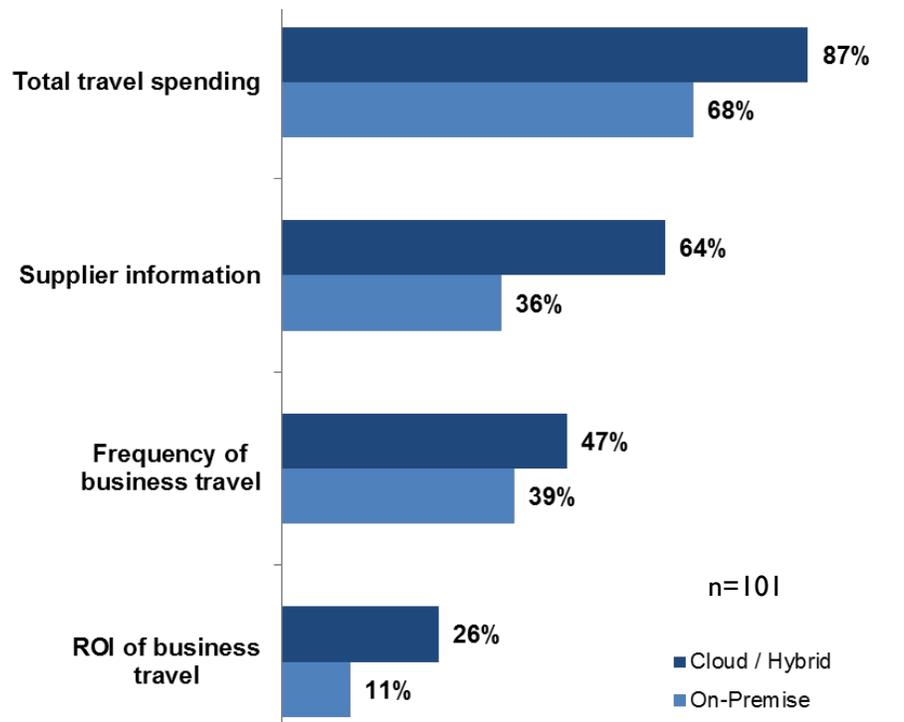
While on-premise solutions have historically enabled the capabilities detailed in Figure 2, it is through cloud-based (or hybrid mix) solutions that these competencies are fully-realised within the modern expense management program. Perhaps the strongest advantage of the cloud is its perpetual link to other enterprise systems and programmes; in fact, cloud / hybrid solutions are nearly 41% more likely than on-premise solutions to fortify a data link between expense management and back-end systems. This critical capability ensures that executives have real-time and accurate information in regards to business travel spending.

Cloud / hybrid deployment has also resulted in the ability to derive real-time visibility into T&E spending against corporate budgets (48%). This aspect, discussed in-detail in the [T&E Expense Management](#) research study, further enables true spend intelligence and allows those tasked with running expense management programmes to provide a real-time view of how T&E impacts the greater organization, as well as the capability to alter or cancel travel plans based on current spending against the organisation's budget.

Analytics and The Cloud

A Best-in-Class “pillar” for top-performing organisations in their pursuit of expense management success, analytics has become the hottest strategy for companies looking to increase the strategic value of T&E expense management. Aberdeen research has found that users of cloud (or hybrid) solutions are better-enabled to track, monitor and analyse key aspects of T&E expense management (Figure 4).

Figure 4: Expense Management Analytical Aspects



Source: Aberdeen Group, February 2012

Cloud and hybrid deployments of expense management technology offer slight improvements over tracking items such as total travel spending (87%) and frequency of business travel (47%) via reporting and analytics. However, the real value of the cloud in analytics is within its ability to connect disparate and organisational systems to drive visibility into T&E expenses via the tracking / monitoring of supplier information (64%), as well as providing visibility into a “next-generation” impact area: the return-on-investment of business travel.

The ability to track the ROI of business travel, enabled by 58% more cloud / hybrid solutions than on-premise gives the executive team a clear view of how business travel affects the greater organisation in terms of value and can help the company accurately forecast and budget for the future based on information as to how finances spent on travel result in corporate revenue.

Key Takeaways

While this Analyst Insight details the benefits and advantages of cloud-based (and hybrid mix) T&E expense management technology, flexibility in deployment method (including cloud, software-as-a-service, hosted, on-premise, and hybrid) should be a consideration for all organisations conducting business on a global scale. As business requirements and

expense-related aspects vary over time, so may the preferred delivery model for expense management technology.

This Analyst Insight includes the following key takeaways:

- Utilisation of cloud and hybrid solutions have resulted in performance increases in expense-processing costs, business travel spend under management and corporate travel policy compliance
- Cloud / hybrid expense management technology enables core expense management capabilities, such as real-time visibility into travel spending against budget and strong links with back-end systems
- Companies that leverage cloud / hybrid solutions are more likely than users of on-premise technology to have capabilities to monitor, track and analyse key T&E expense management aspects via reporting and analytics, and;
- Seventy-three percent (73%) of organisations predict that they will be utilising a cloud or hybrid mix T&E expense management solution within the next two years.

Related Research

[T&E Expense Management: The Best-in-Class Pillars of Next-Generation Expense Management](#); February 2012
[Expense Management for Professional Services](#); December 2011

[The Mid-Market Expense Management Program](#); September 2011
[Mobile Technology: Filling the Gap in Modern Expense Management](#); April 2011

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