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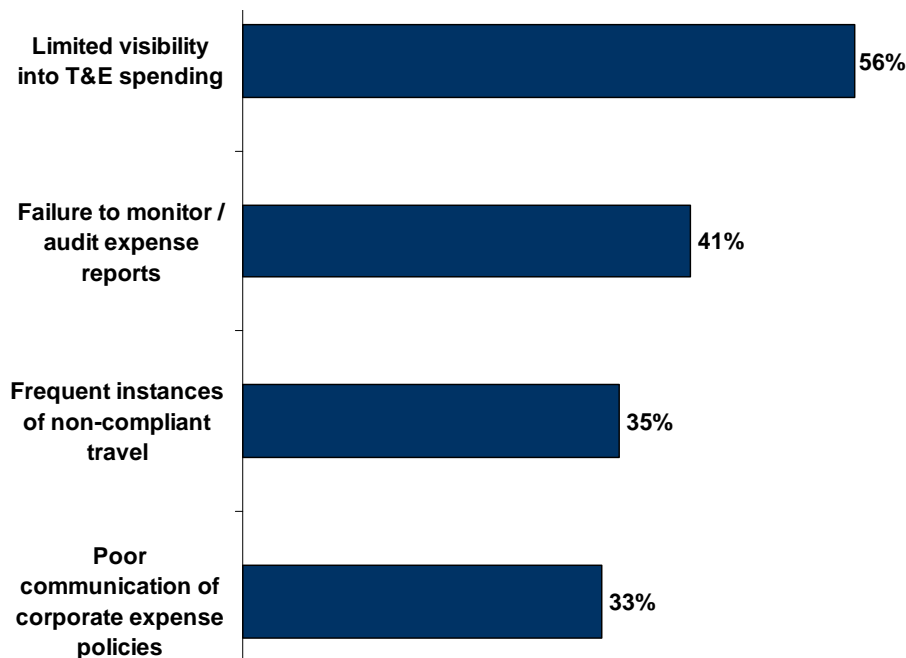
The Mid-Market Expense Management Program

Travel and expense management has been spinning on a strategic upswing over the past few years; what was once a traditional back-office function has now become a critical series of processes, that, when executed with a specific set of efficiencies and approaches, can drive tremendous value to the overall organization. Aberdeen Group research from February 2011 has found that travel-related expenses equate to nearly 7% of the average mid-market organization's total budget, a factor which reinforces the need for superior strategies in managing expenses for this sector.

Mid-Market Expense Management

The challenges in managing corporate expenses have shifted as quickly as the economy; just a couple of years ago, the top challenge faced by companies was conducting business in a restricted travel environment. Flash-forward to a new decade and the focus twists onto a classic corporate pressure: visibility.

Figure 1: Mid-Market Expense Management Challenges



Source: Aberdeen Group, February 2011

Sector Insight

Aberdeen's Sector Insights provide strategic perspective and analysis of primary research results by industry, market segment, or geography

Sector Definition

Aberdeen defines mid-market organizations as those that have revenues between \$51 million and \$999 million. All findings included in this research study were collected as part of the [Expense Management for a New Decade](#) data pool gathered in February 2011. Mid-market companies represented nearly 23% of survey respondents (45 companies).

As noted in Figure 1, the majority of mid-market companies currently have limited visibility into Travel and Entertainment (T&E) spending. With nearly 7% of this sector's overall budget spent on expenses related to this complex spend category, it is especially critical for these organizations to not only track but also *understand* their spending on airfare, lodging, rental cars, meals and other items related to business travel. Much like other indirect spend areas, such as contingent labor, strategic meetings and events, and printed materials and services, T&E expenses encompass a wide range of business units, regional locations and internal stakeholders, all of which cite business travel as a major component of conducting business and achieving corporate goals and objectives.

Without the proper visibility into the dollars funneled into business travel, mid-market organizations are at risk of employees traveling outside of company policies, a factor which can severely inflate travel costs. Also, limited spend visibility prohibits executives from executing proper planning and budgeting for future financial forecasting.

Mid-Market Expense Management Performance

Modern expense management involves more than just a focused eye on base costs for travel and entertainment. The processes behind expense management have repercussions on cost, time and satisfaction. Table 1 details the mid-market sector's performance across the three main expense management metrics.

Table 1: Expense Management Performance in the Mid-Market

Expense Management Performance Metric	Mid-Market
Cost to process a single expense report	\$27.86
Compliance to corporate travel policies	78%
Overall time for expense reimbursement	8.1 days

Source: Aberdeen Group, February 2011

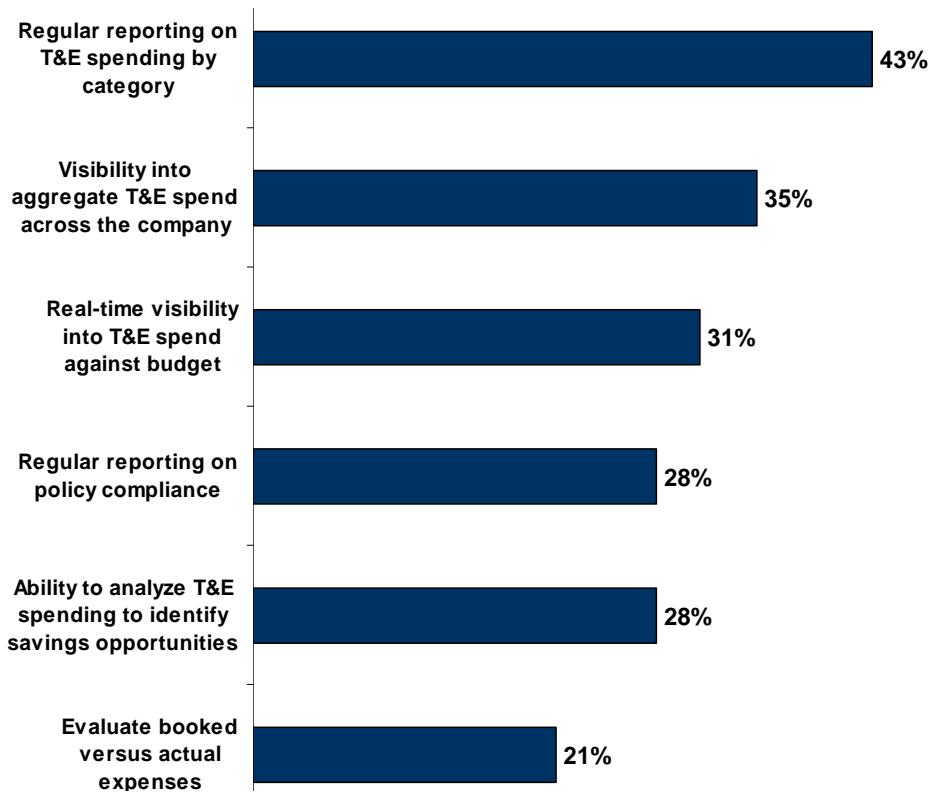
Table 1 details exactly how the mid-market sector is performing against the most significant of expense management metrics. In particular, companies in the mid-market bracket are maintaining a respectable level of corporate travel policy compliance, a factor which proves that these organizations are actively communicating travel policies and setting guidelines for proper business travel.

However, while organizations in this sector are performing well in the compliance arena, they show signs of strain in expense-processing costs (20% higher than the average company) and overall expense reimbursement time (10% longer than the average company). In looking inside the mid-market expense management program, we will see that the visibility factor remains the most crucial area for improvement, and one that can help spur better performance across the entire scope of expense management processes.

A View Inside the Mid-Market Expense Management Program

Aberdeen Group research has taken a deep-dive view into the modern mid-market expense management program and identified the various capabilities, processes and strategies currently utilized by organizations in this sector in their management of corporate expenses. Figure 2 details the "weak" internal expense management capabilities; these capabilities are ones that less than half (50%) of all mid-market companies currently have in place.

Figure 2: "Weak" Expense Management Capabilities



Source: Aberdeen Group, February 2011

The "weak" capabilities listed in Figure 2 reinforce the top challenge faced by mid-market companies today: limited visibility into expense-related spending. Only 43% of mid-market organizations currently report regularly on T&E spending by category; this capability can help identify where company funds are allotted in terms of business travel and can assist executives in understanding which specific areas (airfare, lodging, meals, etc.) are in need of financial attention and impact organizational finances.

Real-time visibility into T&E spending against budget (31%) is a critical capability that has risen in prominence over the past few years due to the economical impact on business travel budgets; understanding T&E spending and how it stands against existing corporate budgets is a significant component of the modern expense management program. An executive

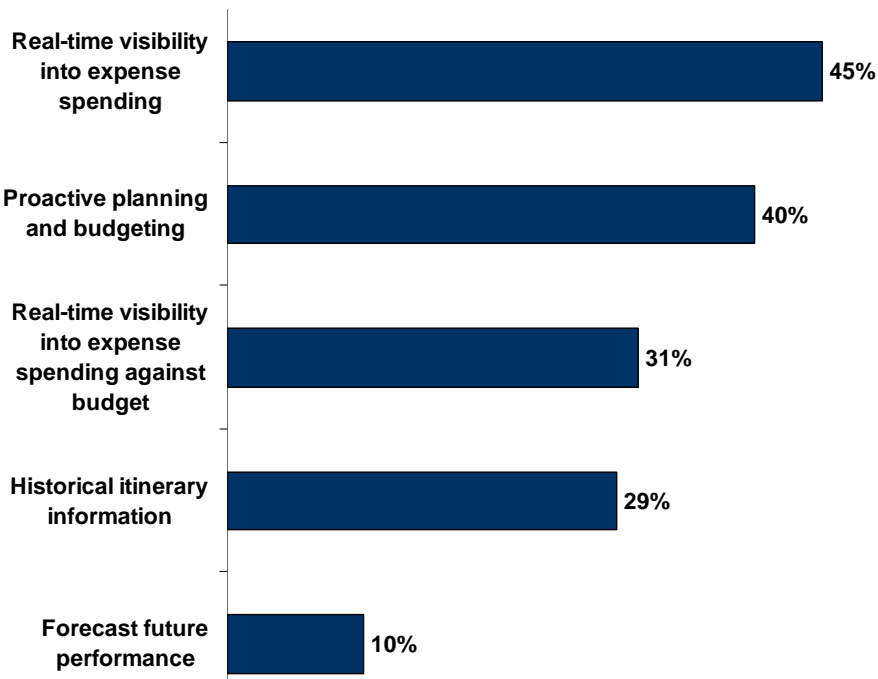
with a clear view into this arena can take the necessary steps to cancel or alter future travel plans if he or she notices that, in real-time, current travel spending exceeds monthly or quarterly budgets.

Data Analytics and Business Intelligence

The *Expense Management for a New Decade* research study (February 2011) tackled a variety of modern solutions and strategies for managing corporate expenses. Once such approach, the ever-increasing reliance on data analytics / reporting and business intelligence, was earmarked as a strategy that companies would utilize consistently over the next decade to improve their visibility into T&E expense spending and enhance their intelligence within this key indirect spend category.

As noted in Figure 3, mid-market organizations are actively failing to leverage analytics to improve their expense management programs, a factor which contributes to their perceived lack of visibility into expense spending.

Figure 3: Aspects Tracked Via Data Analytics and Business Intelligence Capabilities



Source: Aberdeen Group, February 2011

Less than half (45%) of mid-market organizations are currently tracking, in real-time, their expenses via analytics and business intelligence. As noted in the discussion regarding capabilities in the previous section, this is a crucial area to track, monitor and analyze due to the sensitive nature of business travel finances on corporate budgets. This aspect is further exemplified in the mid-market's failure to track (via analytics and business intelligence) their visibility into spending against corporate budgets.

Proactive planning and budgeting (40%) is an arena which speaks to the strategic importance of the T&E expense category. Real-time intelligence into current and future travel (and related expenses) can help financial executives accurately plan, budget and forecast for the organization's future efforts, as well as gain a true understanding of the effects of business travel on overall company performance.

The Technology Factor

As expense management enters a new decade, it becomes even more critical for mid-market organizations to leverage a multitude of solutions to streamline expense management processes. Although organizations in this sector have achieved a decent level of corporate travel compliance, they significantly lack visibility into their travel-related spending and have experienced higher-than-average costs to process expenses.

Technology solutions, as detailed in the [Expense Management for a New Decade](#) research study, play a vital role in streamlining expense management processes and providing an automated outlet in which executives can handily view detailed T&E spending information. Consider the following technology aspects of mid-market companies:

- Only 28% of mid-market organizations are currently leveraging cloud-based expense management solutions
- Less than 6% of mid-market organizations are utilizing mobile travel and expense management applications
- Only 22% of all mid-market expenses are managed via an integrated travel-and-expense management platform
- Less than 27% of all mid-market expenses are managed holistically through corporate card and expense management integration

Aberdeen research over the past six years has tied specific performance advantages to the utilization key technology solutions within the expense management space. Companies currently leveraging expense management platforms have experienced, on average, 50% lower expense-processing costs than companies not currently utilizing these solutions. Also, users of mobile expense management applications have reimbursed their traveling employees 40% faster than organizations without this application in place.

Required Actions

Although 62% of mid-market organizations view expense management as a moderately-to-highly strategic internal function, organizations within this sector must leverage a series of required actions and strategies to fully drive value out of their expense management processes. The following actions will spark an uptick in performance and help align expense management benefits with the corporate goals of the greater organization:

- **Improve analytical and business intelligence capabilities to drive visibility into travel-related spending.** Analytics were

one of the three main modern-era strategies detailed in Chapter Two of the [Expense Management for a New Decade](#) study; mid-market companies must look to data analytics, reporting and business intelligence capabilities to improve visibility into T&E spending and utilize that information to accurately forecast, plan and budget at the corporate level.

- **Utilize advancements in expense management technology to enhance lagging processes.** Cloud-based expense management solutions and mobile travel and expense management applications are helping to usher in a new decade. Both of these solutions not only streamline key expense management processes (such as expense creation, submission, approval workflow and reimbursement), but, in the case of the mobile world, can help business travelers harness the power of expense management technology to their advantage while on the road.
- **Link intelligence from analytics and reporting to executive offices and programs.** Only 15% of mid-market organizations currently align expense management activity with the goals of the greater organization. With the intelligence gleaned from improved analytics and reporting, mid-market organizations should provide this information to C-level executives in an effort to improve total financial forecasting across the entire organization.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

Mobile Technology: Filling the Gap in Modern Expense Management ; April 2011	The State of T&E Expense Management ; February 2010
Expense Management for a New Decade ; February 2011	Travel and Entertainment Expense Management Automation: Reduce Costs, Improve Control ; June 2009

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