



## The Definitive Guide to Expense Management



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## Introduction

The world of expense management has emerged from the shadows in recent years. But what exactly is expense management and why is it growing at such pace? This short paper looks to answer these questions and more.

Rather than rehash the reasons why people need to 'move to the cloud' we will instead focus on the more practical elements. Once you are clear on why you should embrace a modern expense management solution we will outline the next steps you need to take to see it become a reality.

Like any change though, there will likely be resistance. However, as we will endeavour to outline, the impact on the wider company is pretty minimal. For the most part, employees willingly embrace expense management solutions given that they themselves are usually the chief beneficiaries from the modernisation.

As we'll illustrate below, one of the key reasons that companies persist with out-dated solutions is the lack of appreciation as to the actual cost of in house solutions. Hence, once the decision to switch has been made, the return on investment tends to be significant.

You have taken the first step to modernising your expense management process by downloading this paper. We hope that we can help you complete the journey by finally modernising your approach to how you manage your business expenses.

Boris Bogaert  
CEO & Founder  
Xpenditure - Claim Back Your Time

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## The Authors



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Boris was involved in commercialization of the first Internet solutions in Belgium in the early 90's. His primary passion is focusing on making high tech products accessible to the wider market (particularly B2B). In recent years, Boris has managed a number of leading internet startups before co-founding Xpenditure with Wim Derkinderen.

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## About Xpenditure

Xpenditure is a leading expense management solution that helps you save time managing your expenses. With customers in over 160 countries worldwide, Xpenditure has reinvented the entire expense management process by focusing on digitizing receipts and on eliminating the need for expense reports.

Xpenditure is based in Mechelen (outside Brussels) in Belgium, and has offices in Amsterdam, London, New York and Sao Paolo.

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[www.xpenditure.com](http://www.xpenditure.com)

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# What is Expense Management?

Expense management relates to the management of expenses incurred in the course of your work. For example, you may need to travel overseas on a business trip. During the trip you will likely incur expenses related solely and exclusively to the trip. These expenses will need to be reported, processed and in many instances reimbursed (when paid for personally).

Payment will typically vary with cash, personal credit cards and company cards representing the most popular forms. Regardless of the payment type, these expenses need to be accounted for, and expense management encapsulates the various activities that surround the 'management' of the expense.

Many expense management systems will typically follow a process based loosely on the following.

- Receipt is generated in the course of a transaction (physical receipt needs to be retained)
- On return to the office, an expense report will need to be filled out (manually)
- At the end of the month, the physical receipt may need to be shipped somewhere (or photocopied / scanned before being submitted digitally)
- A back office team will then need to process the expenses (this will range from ensuring no breaches of company policy, to reconciling with credit card statements and to detecting fraudulent submissions).

Assuming all of the above is completed correctly, the employee can then expect to receive a reimbursement for any out of pocket expenses i.e. expenses paid for themselves (and not using a company card).

If only it was that easy, the reality is often very different however!

- The number of expense reports that are rejected is significant (reasons for rejection can vary from duplicate entries, to breaches of company policy).
- The time lag between trips, and expense report submissions, can be significant, leading to lost receipts and errors.
- Throw foreign currencies into the mix, and the process becomes just a little more complicated.
- Finally, we all lead busy lives and processing receipts tends to be low priority for most hence the end of month batch processing of expenses we are all familiar with.

Is it any wonder that so many are ditching legacy processes and solutions for modern 'fit for purpose' ones?

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# Why it Modernising Your Expense Management Approach Important?

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So why is it worth considering a change? After all, expense management is typically a low priority for senior managers with other more pressing demands on their time.

The reasons are quite simple.

1. The costs of running inefficient expense management processes are significant. When we are all under pressure to make savings, this represents an area that is often overlooked. (In terms of the magnitude of savings, it will vary depending on the number of employees generating business expenses and the quantity of savings).
2. Advances in technology mean that there are a range of different expense management solutions that are extremely cost effective and easy to use. Hence a decision to adopt a new system has minimal disruptive impact.
3. Managing expenses is a big time suck. There is almost universal hatred for the concept, and the time burden is often considerable, time that could be better served focusing on more productive activities.
4. Digitizing expenses transforms the expense process; removes the need for manual entry, reduces the incentive for employees to batch process, but also creates the opportunity to gain insights which can be used to shape behaviour.

In short, it is the hidden costs of expense management in aggregate that ultimately lead to people considering alternatives.

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# The Hidden Costs of Expense Management

For the minority (or lucky ones amongst us), we get to hand a wad of receipts to our unfortunate secretary's who have to process them on our behalf. For the majority however, the expense management process is something we need to do impacting us personally. Mapping out the user journey of the average business receipt would simply astound you.

So what does a typical journey look like?

Once a transaction gets completed, most receipts get stuffed into purses and wallets. Eventually they see the light of day, before they are temporarily consigned to an envelope or desk drawer. When the 'owner' (of the expense) finally gets a few minutes of downtime, Excel gets fired up and the receipt gets inputted into 'the system'. A trip to the photocopier or scanner may then be needed, before the receipts are sent on their merry way.

If this was where the journey ends it would be bad enough, however it is only a part of the tale. The recipient of said receipt is often residing in accounts, or finance. For them, they need to battle with everything from illegible handwriting, to dismembered receipts to expense reports that do not match the expenses submitted. This is before they even attempt to reconcile the expenses with company cards. Other issues to factor in include:

- Duplicate entries
- Need to assess expense against company policies
- Need to be in the look out for fraudulent entries
- Need to remedy errors

The notion that the existing internal approach is free is patent nonsense. Try assigning a cost to the following:

- Postage Costs
- Costs Associated with Duplication of Effort
- Paper Report Costs
- Office Supplies
- Lost Productivity

Is it any wonder that expense management is finally growing in importance as greater numbers realise the scale of the hidden costs? All these people, all this time. Surely there has to be a better way?

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# How Expense Management Solutions Work?

## SaaS A Definition

SaaS or cloud based solutions are ones that you access via your browser. You log in to them rather than download them to your PC/ desktop.

Modern expense management solutions are typically cloud based/ Software as a Service (SaaS) offerings that utilise Smartphone apps to manage the process seamlessly. A typical user journey looks like this:

- Download an iOS or Android app e.g. Xpenditure
- Take a picture of a receipt using the App
- Select some custom data fields where relevant e.g. category of expense, client account etc
- Upload the receipt in the App (or forward a photo via email direct to your online account by circumventing the app)
- Log in to your online account to review/ edit or to submit an expense for reimbursement.

While there are a plethora of solutions to choose from, most follow the above journey. Once the receipt is submitted, users can typically edit receipt data (verify OCR data), reconcile receipts with company card statements, submit for sign off, as well as link with bank accounts for reimbursement.

Administrators of expense management accounts can typically run reports, obtain real time overviews of company expenses as well as process the receipts i.e. review and reimburse as necessary.

Modern solutions also typically connect directly with most leading accounting software solutions, again removing the need for duplication of effort, manual data entry etc

In many ways it has been the emergence (and indeed ubiquity) of the smartphone that has really accelerated the growth of SaaS based solutions. Modern smartphones have powerful cameras, and the 'always on' access to Internet enables users to process expenses as they occur in real time. This change more than any, has meant that the days of relying on Excel, or paper based solutions are finally coming to an end.

Given the power of the above it is clear that persisting with time consuming and costly alternatives is no longer tenable for most. So what are some of the key benefits of modern solutions, and what factors do you need to consider when evaluating your options?

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## What are the Key Benefits?

The benefits from upgrading from a legacy system are numerous. Of course, the extent of the benefit will depend on the number of employees, and the quantity of receipts that they are typically generating. If your company has a large sales team that is traveling internationally, the scale of the pain will be significant. Given that most SaaS based expense management solutions are in the region of \$10/ user / month (with the majority subject to 'fair use policies'), it is evident that the return on investment will be considerable.

So what are some of the key benefits?

- **Time Saving**

The sheer time saving to be gained from consigning legacy solutions to history is the most compelling benefit.

- **Ease of Use**

Modern SaaS based solutions are typically well designed (particularly when viewed in the context of their predecessors) and are for the most part 'easy to use'. The majority offer free trials so it makes it easy to evaluate in advance of any purchase decision. Regardless, when pitched against legacy processes there is no contest.

- **Competitive Pricing**

One of the major reasons for the growth of SaaS applications (alongside the increased ubiquity of smartphones and high speed internet) is the cost structure of the broader industry. With lower barriers to entry, competition across most sectors is intense. Flexible pricing models aligned to usage have prevailed, and as a result the majority of expense management solutions drive impressive Returns on Investment (ROI).

- **No Switching Costs**

Again common to most SaaS solutions switching costs are negligible, and with contracts rarely extending beyond a year, 'lock in' is absent. While learning costs will still remain, the ease of use of most applications mean that switching providers is not the problem it once used to be.

- **Negligible Set Up Costs**

The days of major setup costs, obligatory training days and vendor lock in, are well and truly over when it comes to expense management. Save for large enterprise deployments with numerous configurations, the majority of companies can be up and running in a few days.

- **Low Resistance to Implementation**

Given the broad appeal and wider set of benefits most employees embrace the implementation of expense management solutions wholeheartedly given they are often one of the chief beneficiaries.

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- **Gain Insights**

Now that expenses can be easily uploaded in real time, it is much easier for administrators to get an overview of current employee spending. The weekly / monthly time lag is eliminated. Furthermore, digitizing the receipt makes it easy to generate reports, that can provide insights into broader employee behaviour across the company, as well as making it easier to spot duplicate or fraudulent submissions.

So who are the main beneficiaries from modernising expense management processes?

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## Who Benefits?

One of the unusual elements to expense management is that given expenses impact so many people the numbers that can benefit from an upgrading are numerous.

### 1. Employees

Employees benefit as they save considerable amounts of time, as what was once a laborious process, is now largely replaced with one whereby their primary activity is simply to take a photo of a receipt with their Smartphones and to upload it. By shifting from real time submissions instead of batch submissions they should also enjoy a speedier reimbursement cycle than before. As expenses can be dealt with on an individual level, the days of one expense stopping an expense report progressing are over.

- **Management**

Any process that has such a wide impact on employees, and that can be made more efficient is clearly of benefit to senior management. As outlined earlier the hidden cost to managing expenses is significant, and most SaaS solutions offer real value. However, that is only a part of the story. By digitizing the receipt, the ability to generate insights is enhanced considerably. As most solutions offer detailed reporting options, further gains can be made by obtaining a more in depth assessment as to the nature, frequency and amounts of expenses being incurred across the business providing useful insights which can be acted upon.

- **Finance**

One of the primary beneficiaries from updating an expense management process is of course those working in finance. They can now shift their emphasis away from administration, to more value added insight based activities utilising the data now available at their fingertips. Integrations with a host of third parties from VAT reclaim companies, to credit card companies to payroll, to accounting software companies helps them save even more time.

### **It Is Not Just Companies Who Benefit**

Of course expense management solutions have universal appeal, and are not exclusively for the benefit of large corporates. Entrepreneurs, Freelancers and SMB's and their accountants can also benefit from them. In short, anyone incurring business expenses in the course of their work will save time on administration by using a modern SaaS based solution.

So what do you need to consider when you evaluate your options?

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## Selecting a Solution

When you have decided that it is time to evaluate a solution the following represent some things to think about.

- **Location**

Depending on where you are located, the optimal choice for you may be a solution that has a footprint in your country (or at the very least demonstrates awareness of local nuances incl taxation). For example, Xpenditure is a leading European solution with Spanish, Italian, French, German and Dutch versions of their system.

- **Processing Speed**

Depending on the volume of expenses and the frequency, your tolerance for delays will vary. If you need a fast reading and responsive OCR based application, choosing a market leader will be important.

- **Support**

Many of the free versions offer zero support. While most software developers strive to minimise the need for support, access to someone to talk to is an important criteria for many. Accessing local support that is both responsive, and available on your terms is a key consideration.

- **Cost**

While the median price is circa \$10 per user per month, the spread is wide, with a number of free versions available, as well as enterprise solutions with significant set up and roll out costs. While free applications may appeal to some, they typically have limited feature sets, lack support and do not invest in integrations with third parties limiting their broader appeal.

- **Links to Accounting Applications**

An important consideration for many users is the need to integrate with your chosen accounting software application. The range and extent of integrations will vary from provider to provider so it is best to establish in advance which integrations are available from the get go.

- **Access to a Free Trial**

Most applications offer a free trial enabling you to 'kick the tyres' in advance of a purchase decision. It is important to bear in mind that many of the advanced features are not evident to single users where the use case is more limited than the benefit set with a bigger corporation. The key at this stage is usability - is the app easy to navigate and to use?

- **The Company**

Common to many SaaS sectors the competitive set can be significant. While the current feature set may meet your needs, it is important to assess whether the company has the staying power to continue to innovate. Over time, it is likely that smaller providers with a narrower geographic footprint will struggle to invest to the levels required to build a solution with wider market appeal.

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- **3rd Party Validation - Review Sites and Case Studies**

The growth in the number of 'review sites' means that it is pretty easy to assess what other users think of applications. Those that offer free or freemium versions tend to generate a disproportionate amount of reviews, compared to paid versions by dint of the sheer numbers of free users. On the flip side they will typically struggle when it comes to offering support, so many negative reviews will likely focus on this issue. Review sites that utilise social profiles like LinkedIn and Twitter offer more confidence than those consisting of anonymous reviews. Reading case studies and analysing existing reference customers will also help you validate the effectiveness of the solution.

- **Deployment**

The majority of companies will be content with SaaS/ Cloud based deployments. The main decision criteria may simply be a case of assessing where the data centres are hosted (primarily US v EU). On premise solutions are also generally available for those who have particular security considerations they want to account for.

- **The Feature Set**

The technology used is also an important consideration. For example, some applications store images as flat files rather than use OCR technologies to read the receipts. The former approach means that manual data entry will still be required, while the latter approach is designed to digitize the receipt with a simple click. Other features like mileage tracking and real time currency conversions are core elements of some applications, while are conspicuous in their absence in others.

Once you are clear on some of your key requirements the following represent some of the sites you can review to learn more about some of the leading applications available:

Get App Expense Management  
Capterra Expense Management

Finally, to get an idea as to the feature set of a leading provider like Xpenditure [click here](#).

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## Conclusion

In summary, the days of persisting with legacy expense management solutions are finally coming to an end. As awareness grows as to the true cost of continuing with older processes become more widely known, adoption of modern solutions accelerates. The good news is that transitioning to new SaaS based solutions are relatively straightforward. Competing solutions and the commercial attractiveness of SaaS offerings means that the switching costs are low, and the ability to test almost costless.

As this short guide has attempted to illustrate, the benefits to embracing modern expense management solutions are compelling. In recent years, the narrative has changed. It is no longer 'what is expense management' but rather, 'which is the best expense management solution'? We hope this guide will help you chose.

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## Next Steps

Now it's simply a case of selecting a solution that meets your requirements and downloading it.

Finally, if you would like to have a Free Trial of Xpenditure simply get in touch.

Want to learn more about how Xpenditure can help you claim back your time?

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