



American Express® & A.T. Kearney

European Expense Management Study 2008

Executive Summary

Introduction

In recent years, a growing number of companies have come to realise that managing Travel and Related Business Expenses (T&E) requires significant resources. Following on from the 2003 study, the *European Expense Management Study, 2008* is designed to help companies better understand their T&E management processes and cost drivers, as well as the available means for streamlining and achieving greater automation and efficiency. The aim is to provide companies with insights and benchmarks that they can use to assess their T&E management processes in relation to best-practices, and to identify direct (purchasing) and indirect (process) savings potential by adopting these practices.

Key Findings

- **Indirect T&E costs are equivalent to 4.6% of total direct T&E spend**, on a weighted average basis, down from 5.6% in 2003 (see Charts I & II)
- The indirect costs of participants range from 1% to 34% of direct T&E spend, indicating that for a number of companies there remains **significant scope for improvement**
- **Expense claims processing** and **trip planning** are both labour and time intensive processes, and together **represent 75% of the total indirect costs**
- Findings confirm the **increased prevalence and impact of automation and alternative models** on T&E management practices, e.g. shared service centres and outsourcing

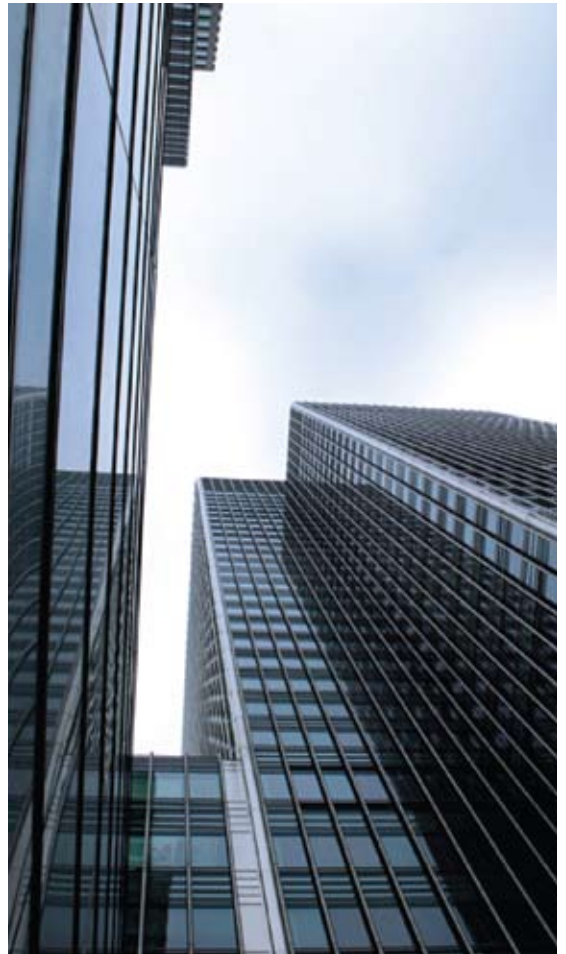


Chart I Total indirect T&E spend as % of direct T&E spend

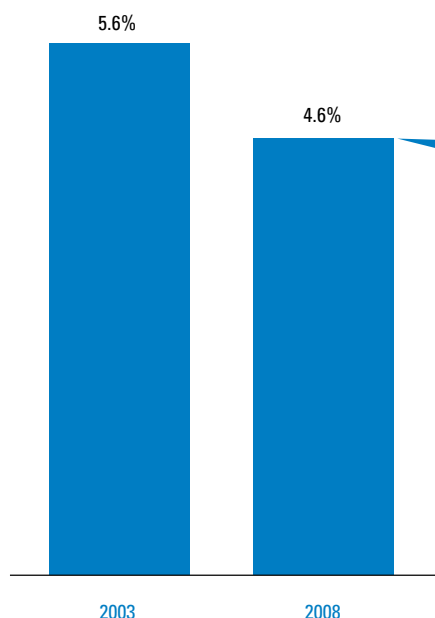
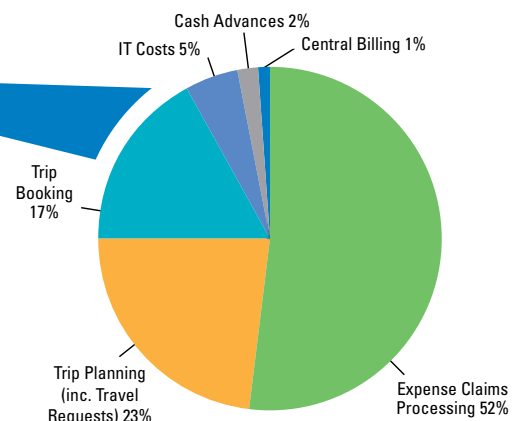


Chart II Breakdown of indirect T&E management costs (a sample of 38 companies)



Savings Potential in Indirect Expense Management

Study findings indicate that there are considerable savings to be made for companies who choose to address their indirect costs:

- Average performing companies that adopt best-practice in T&E management could **reduce indirect costs from 4.6% to 2.1%**. This is equivalent to a €25 saving on every €1,000 spend, or a **54% reduction in indirect costs**
- Across the four core T&E management processes, **potential savings from adopting best-in-class practices range from 47% to 87%**. The core processes are: Travel Arrangements (planning and booking the trip), Cash Advances, Central Billing and Expense Claims
- The biggest saving, in real terms, can be achieved by tackling indirect costs in **Expense Claims Processing**, as this process **represents more than half of total indirect costs** (see Chart II), and for companies that move from average to best performance, it provides close to 50% savings potential (see Chart III)
- **Best-practices can also lead to improvements in the management of direct spend**, achieving significant business benefits, such as improving supplier negotiations

Chart III Savings potential by T&E management process



Common Behaviours of Best-Practice Companies

The study identifies best-practice companies as having the following six key characteristics:

- Implement clearly defined travel policy and enforcement processes that are communicated frequently
- Collaborate with suppliers (e.g. card providers, travel agents, etc.) and leverage capabilities to optimise processes and maximise resulting benefits
- Invest in automation and have a high adoption rate of tools and system usage
- Centralise back-office activities through a shared service centre and/or outsource non-core activities to a third party, achieving economies of scale and access to specialised skills
- Focus on user-satisfaction as well as on cost reduction
- Leverage Management Information to continuously refine and improve processes, optimise spend visibility, control direct spend and use as a basis for supplier negotiation

Methodology

Sixty six multinational and large national European-based companies completed a detailed online survey about their T&E management practices.

- **Countries represented:** Belgium, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland and the United Kingdom
- **Industries represented:** Consumer goods, energy and utilities, financial and professional services, technology and telecommunications, manufacturing and pharmaceuticals
- The study covers the four core processes which make up the T&E management process: Travel Arrangements (planning and booking the trip); Cash Advances; Central Billing and Expense Claims. It also covers travel policy and alternative models (shared service centres, off-shoring and outsourcing)

For each of the above processes, three performance level benchmarks were identified: 'Best performance', 'Average performance' and 'Lower performance'.

Whilst the study sample is predominantly made up of large and multinational companies, experience suggests that the key findings are applicable across all segments.

More Information

If you would like to learn more about these findings or are interested in improving expense management within your organisation, contact the American Express Business Solutions Group (gcc.emea.consulting@aexp.com) or your American Express representative.

For the full report go to www.americanexpress.com/expensemanagementstudy2008