



SPEND INSIGHTS

The Comeback of Business Travel:
How New Spend Patterns & Risk Could Emerge



Overview

While leisure travel has experienced a rebound this summer, there is still much speculation about the recovery of business travel. Some industry experts predict a boom this fall, and a recent poll of Oversight customers revealed that 64% have already resumed or expect to resume travel by Q4. There's also indication of pent-up demand. SAP Concur research found that 96% of business travelers are willing to hit the road next year.

It's anyone's guess as to when business travel will reach pre-pandemic levels, however. Most pundits predict that a full recovery may take anywhere from 2-3 years. But all agree that business travel will look much different especially in the near-term as airlines, hotels, and auto rental companies work to restore operational capacity. In this report, we'll share our analysis of how spend has trended in Q2 2021 and assess how the comeback of business travel may impact expenditures and invite risk.

Spend vs. Risk

Our Q2 2019 to Q2 2021 comparison shows that spend declined 76 percent, while spend violations skyrocketed 125% over the same period.

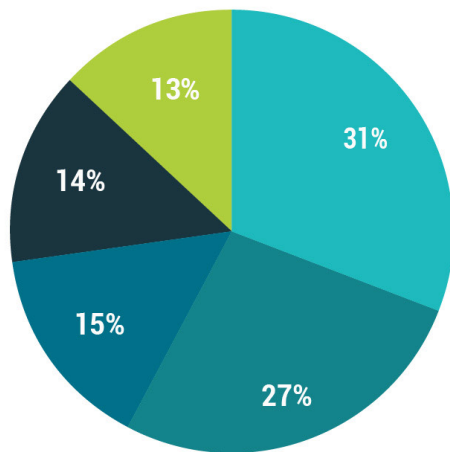


Q2 Activity Signals More Travel, Shifting Spend

Spending in Q2 lends some credence to those predicting a resurgence of business travel. In fact, airline spend is in the top 5 for the first time since March 2020. The other top expenditures in Q2 closely mirror those of pre-pandemic times except for the mail/phone order category, which could be a mainstay for some time as much of this spend is attributed to work from home expenses. Fortunately, spend with merchants in the high-risk category of miscellaneous stores has tapered off, causing it to drop from the top 5 altogether in Q2.

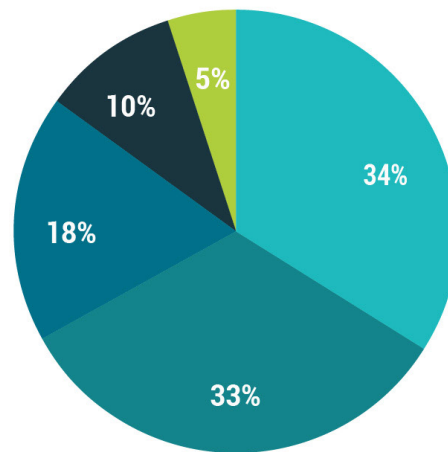
Interestingly, transportation spend, which has appeared sporadically in the top 5 since March 2020, is likely to remain strong potentially due to a shortage of rental cars. Organizations may see more transportation expenditures, which include taxis and rideshare services, until auto rental companies reestablish their fleets and demand normalizes. However, rideshares aren't as economical as in pre-pandemic times. Recent research found that the cost of a ride was up 40 percent in April. Employees may also opt to drive their personal cars due to rental shortages, leading to increased out-of-pocket expenses opening the possibility of expense inflating, such as submitting requests for both fuel and mileage reimbursement.

Top 5 Spend Categories
Q2 2019



- Hotels & Motels
- Airlines
- Mail/ Phone Order
- Meals
- Ground Transportation

Top 5 Spend Categories
Q2 2021



- Hotels & Motels
- Airlines
- Meals
- Ground Transportation
- Business Services



Suggested Actions

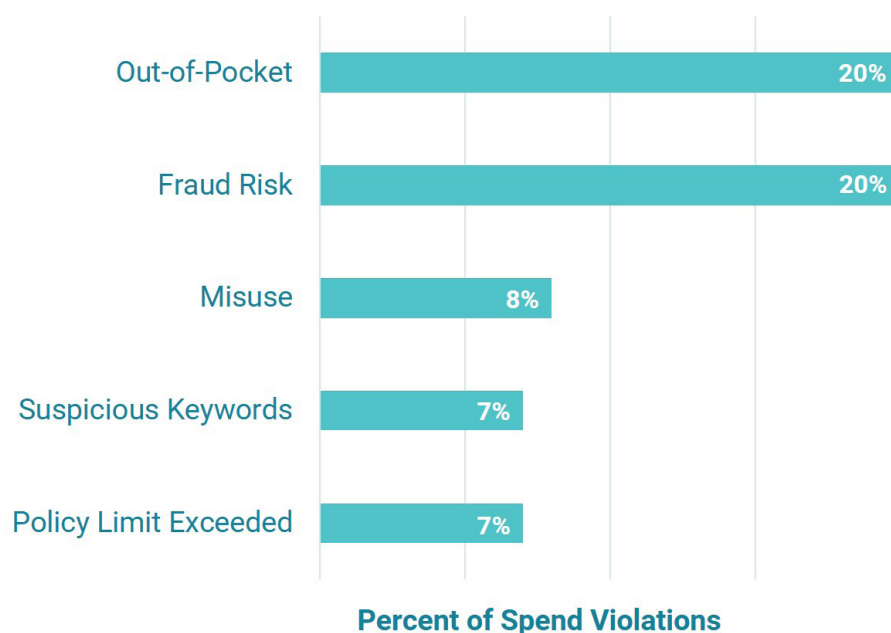
- Provide clear guidance/refreshers on travel policies to employees as most have not traveled on the company dime in over a year.
- Remember to check for any outstanding airline credits. Many carriers extended usage to two years.
- Evaluate your policy allowances as costs may be higher for rideshares, hotels, rental cars, etc. In areas that are popular summer tourist destinations, such as Florida, rates are up more than 50% compared to 2019.
- Encourage employees to secure a rental car before booking their airfare to avoid a cancellation of flight reservations if cars are not available or if rental fees are too expensive to justify.
- Remind employees to designate their corporate card as the default payment on rideshare apps when traveling to avoid out-of-pocket expenditures.
- Re-evaluate the expense policy regarding personal car mileage reimbursement, consider requiring "Google Maps" route information to validate miles driven. Also, remind employees that car mileage reimbursement for personal vehicles already includes potential fuel costs.

Top 5 Spend Violations

Out-of-pocket continued to be a top driver of spend risk for organizations in Q2. In the March 2021 Spend Insights report, our year-over-year comparison showed that out-of-pocket violations were elevated but trending down slightly since Q4 2020. Unfortunately, this decline hasn't lasted. Out-of-pocket violations increased more than 44% in June compared to March 2021. The majority of this risky spend was tied to hotels and restaurant expenditures as well as charges stemming from remote work requirements, such as cell phone and cable expenses. Spend risk remains high as business travel returns, and most companies maintain a hybrid work environment.

Purchases at computer and electronic stores as well as package stores primarily contributed to fraud risk violations in Q2. Most were filed under miscellaneous and office supply expenses. The uptick of policy limit exceeded is an important area to note as well. From May to June violations increased 95 percent with spend at grocery stores (mainly gift cards), bookstores (primarily Amazon), and restaurants accounted for most violations.

Top 5 Spend Violations Q2 2021



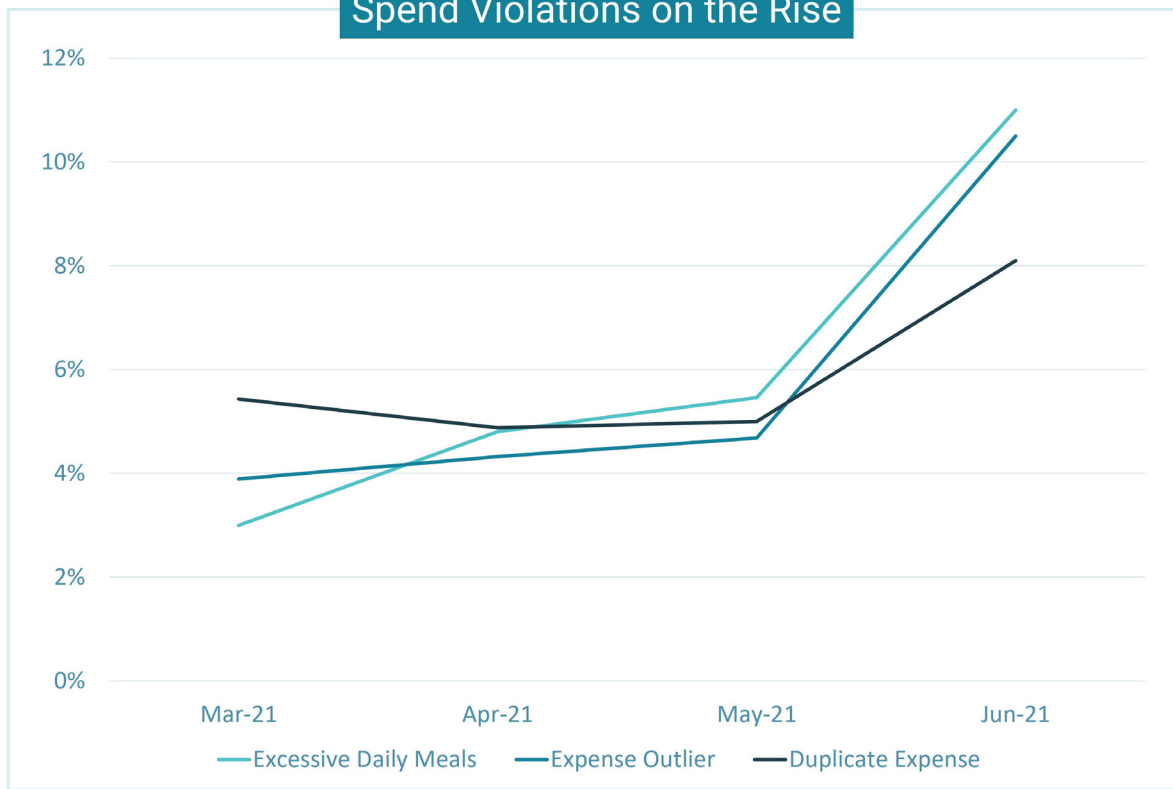
Our Q2 analysis revealed significant increases in some other violation types that may be worth monitoring in the coming months if travel picks up. In pre-pandemic times, the violation rate for excessive daily meals, expense outlier and duplicate expense were around 1 percent each, but from May to June 2021 they all had double-digit increases.

Excessive Daily Meals – The violation rate jumped more than 200 percent with dinner expenses triggering most of the risky spend. With many businesses continuing remote work, hosting business meals will likely be the best way to get facetime with customers. This will require a review of the expense policy by companies to set a reasonable threshold and to educate employees accordingly.

Expense Outlier – This type of violation, which climbed more than 160 percent, is often triggered by unusual meal and lodging purchases. For instance, the room rate that's out of the norm for a certain city or time of year. This increase could be an indication that policy needs to be evaluated since demand for lodging could be especially high in certain markets.

Duplicate Expense – Violation rates climbed 50 percent from May to June, and much of the risk was tied to taxi, limo and rideshare services. With the rental car shortage, it's likely this trend will continue requiring ongoing vigilance to identify these transactions.

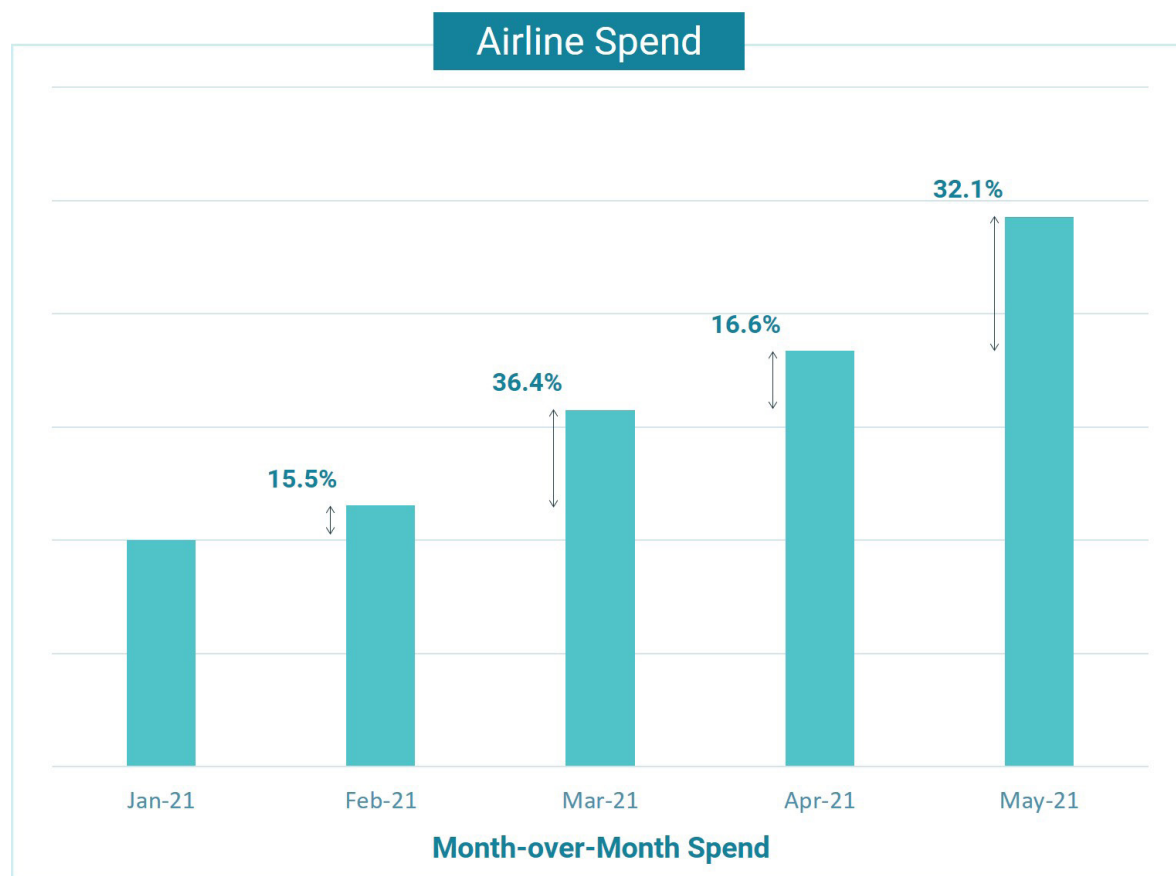
Spend Violations on the Rise



Suggested Actions

- Issue an expense policy reminder of the current meal allowances for individuals, and set audit rules within your expense system and require an explanation of violated before submission.
- Reevaluate your travel & expense policy to confirm if the current meal and lodging reimbursement remains reasonable.
- Clarify your policy regarding ground transportation reimbursement by type (rideshare, black car, taxi), requiring proof such as Uber receipts.

Airline Spend Update



Airfare spend is expected to continue increasing as airlines reopen short-haul business routes this fall. Many conferences are coming back also. Las Vegas started allowing in person conferences in June, and other cities and industry groups are following suit. All signs are pointing to more airfare spending in the coming months.

What's Next

With business travel continuing to pick-up, along with the continued hybrid work environment, increased vigilance across travel & expense spending is required. This requires parallel approaches to re-evaluate the travel & expense policy as business travel returns, and also the refinement of what employee's expenses are reasonable and eligible as many employees continue within a hybrid work environment. The increase in business travel could mask underlying non-compliant spend across spend categories.

Organizations must take the opportunity to re-evaluate their spending policies and broadly communicate them to all employees. If you have questions about how you could better manage your overall spending by spotting the patterns and steering the future, please contact us today.

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