



SPEND INSIGHTS

The New Normal for Travel & Entertainment:
How Increased Travel is Impacting Employee Compliance



Overview

While business travel remains significantly below pre-pandemic levels, down from Q3 2019 by 77.93%, there are signs that it is starting to rebound. Our customers have seen a 38% increase in business travel spending from Q2 - Q3 2021. According to a report published by Deloitte Insights¹, 66% of all companies say their 2022 travel will only reach 49% or less of the amount spent pre-pandemic. Despite vaccines, and now boosters, being readily available, our data aligns with Deloitte's insights. Business travel is not returning as quickly as the travel industry may want (or the traveling employees). In fact, no one can predict with certainty what corporate travel will look like in the future.

Overall Spend vs. Risk

Our Q3 2019 to Q3 2021 comparison shows that overall spend has decreased by 59%, while spend violations² increased by 16%.



Q3 Activity Signals More Travel, Shifting Spend

While business travel continues to rise in 2021, the top five travel spend categories have not changed since Q2.

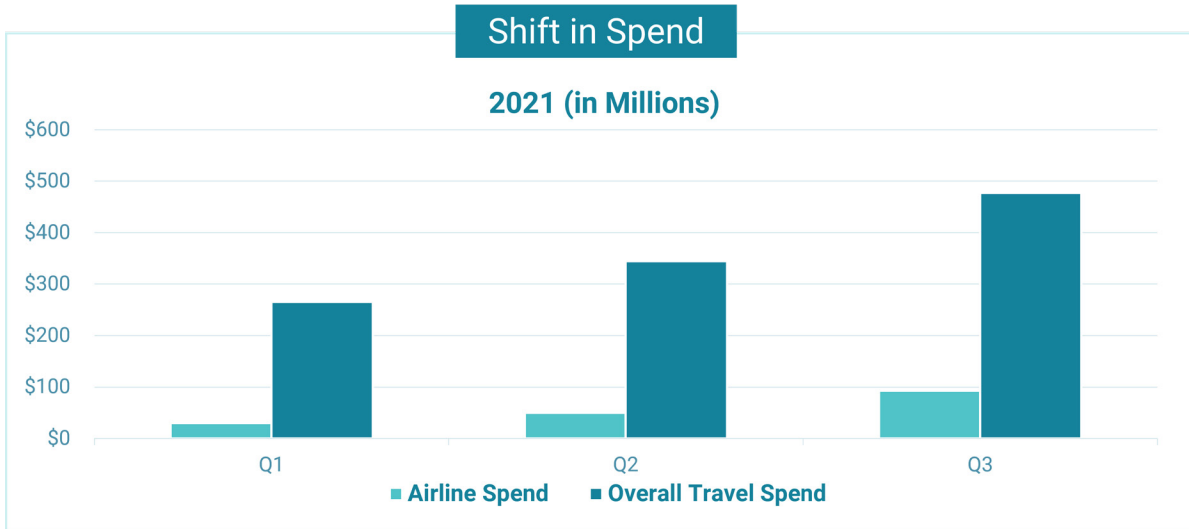
Top 5 Spend Categories Q2 2021

- 1 Hotels
- 2 Restaurants
- 3 Airlines
- 4 Transportation
- 5 Car Rentals

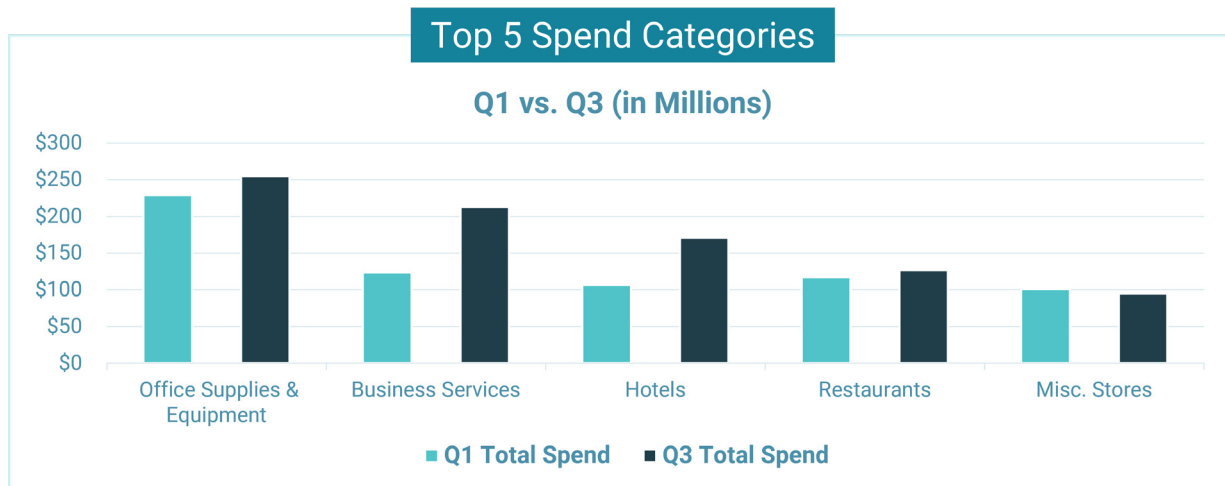
Top 5 Spend Categories Q3 2021

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When we dive deeper into the travel and expense category, we find some interesting data points. Our data from Q1 2021 to Q3 2021, shows spend has increased 20%, while the exception³ rate has decreased 6% and violation rate by 18%. Historically we have seen lower violations regarding air and hotels but even with the rise in these spend categories we are seeing no increase in exception/violations.



In Q1 2021, the top five overall expense categories were office supplies and equipment, business services, hotels, restaurants, and miscellaneous stores. In Q3 2021, we saw an increase in spend for hotels and restaurants, while business services spend declined. The increase in both hotels and restaurants is likely due companies reducing their restrictions regarding employee business travel and entertainment.





Suggested Actions

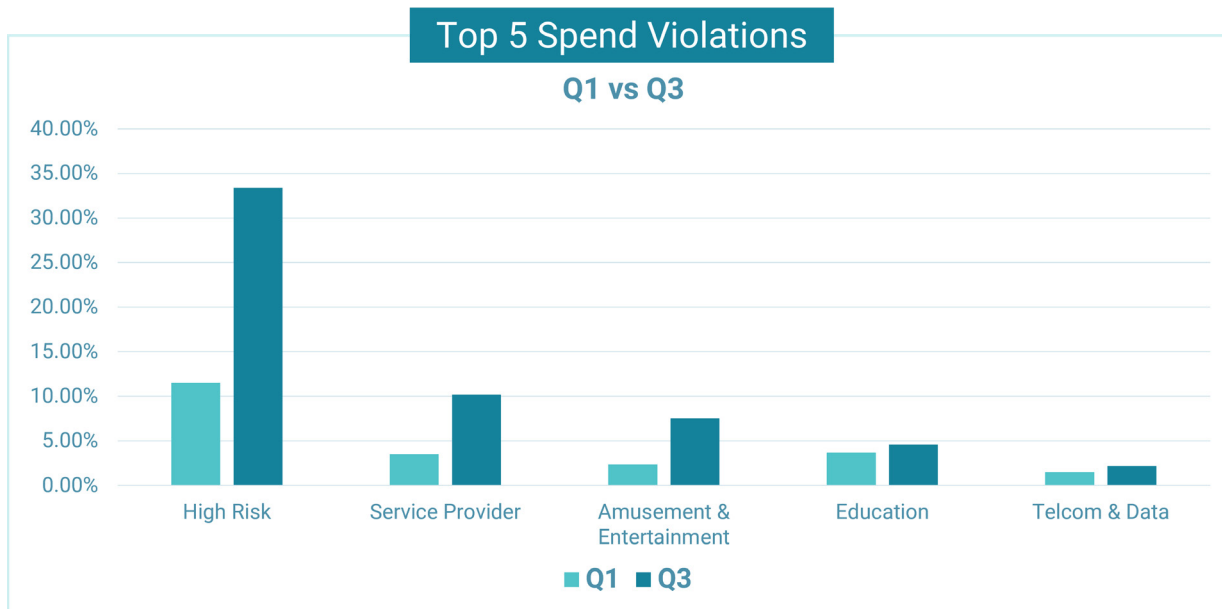
- Provide clear guidance/refreshers on travel policies to employees as most have not traveled for business in over a year.
- Re-evaluate your travel expense policy regarding hotel and meal allowances, adjusting for potential inflationary upward pressure.
- Consider a policy of a one-time spend stipend to eliminate overspend in wholesale trade such as office supplies, equipment and/or furniture.
- Provide clear guidance on acceptable restaurant and entertainment expenses
- Allocate an allowance for technology and internet spend, reimbursed through payroll versus expense reporting.

Top 5 Spend Violations

Over the past 3 quarters, we have seen an increase in violations related to amusement & entertainment, education, service providers, telecom & data utilities. **From Q1 to Q3, amusement and entertainment rose 110%**. COVID restrictions may have caused “cabin fever” and a rush to get back in front of customers and sales prospects. Now, with some live conferences and trade show events returning, we are seeing an increase in “client engagements” for major sporting events, golf outings, and other forms of prospect/client entertainment.

With employees continuing to work from home or in a hybrid environment, it raises a multitude of issues including reimbursements for telecommunications. While some employers have chosen to reimburse employees for expenses such as internet and cell phones during the pandemic, this was not the norm in the past. Employees have grown to expect employers to pay for these normal monthly bills over the past ~20 months, which may become an issue as employees are returning to the office.

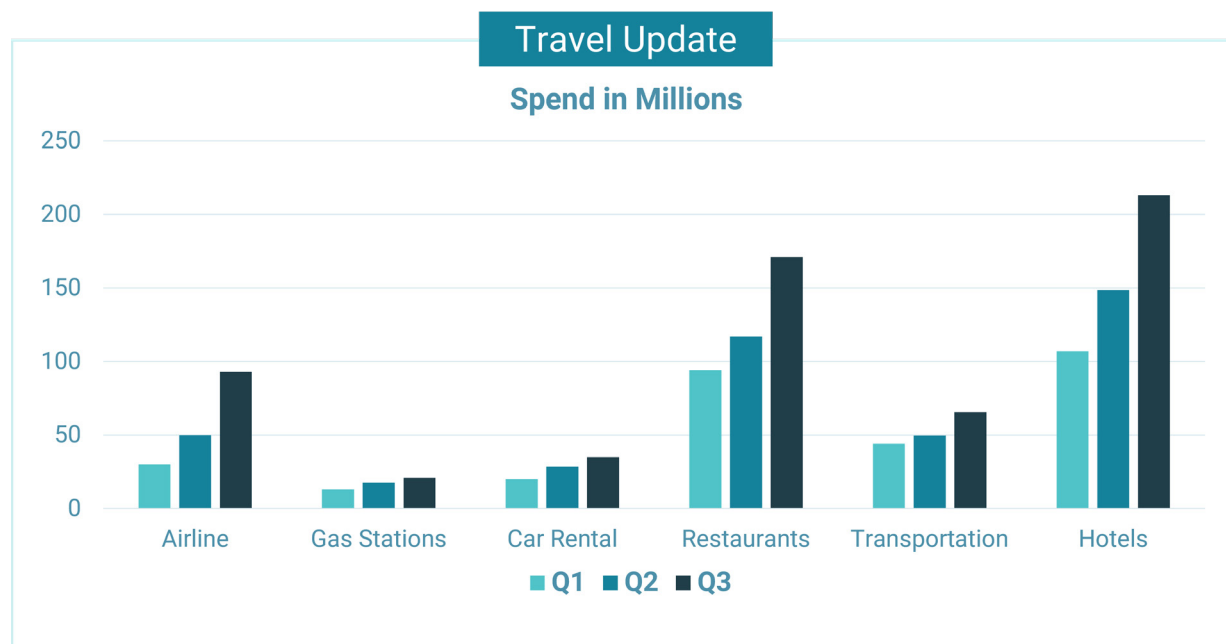
Now let’s talk about meal delivery services. According to our insights, this spend type is up 8%, represented mostly by Uber Eats and Uber Eats Gift Cards. Employees have grown accustomed to having their meal expenses paid while they are out on the road and traveling for business. One of our customers recently reported that one of their employees who was traveling Monday thru Thursday (pre-COVID) has continued to expense Uber Eats while working from home. Of course, the client has since had to explain that this behavior is not acceptable.



Suggested Actions

- Define a policy around meal reimbursements and working from home
- Establish a monthly allowable limit for cell phone or home office internet expense reimbursements
- Issue an expense policy reminder for client entertainment allowances, and set audit rules within your expense system to require an explanation of policy violations before submission

Travel Update



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.

Endnotes

1. <https://www2.deloitte.com/us/en/insights/focus/transportation/future-of-business-travel-post-covid.html>
2. A **spend violation** is a reviewed exception that has been substantiated and has had a subsequent corrective action taken to address the root cause of the underlying issue.
3. An **exception** is the term used to define a transaction or data element that has been flagged for something out of the ordinary.