TATA CONSULTANCY SERVICES

Transforming Global Travel and Expense Management with Gamification

Abstract

Companies need to take stock of their travel and expense (T&E) costs since these add up to unimaginable overheads. We believe a gamified T&E management system to be a viable solution. With millennials – who look for engaging and enriching experiences – making up a majority of the workforce today, the case for a gamification solution is bolstered further. And, thanks to the proliferation of smartphones and mobile apps, gamified solutions stand a greater chance of getting readily adopted across the board. Organizations should therefore deploy robust T&E platforms that are mobile-friendly in order to cater to the diverse requirements of their employees, while keeping a tighter control over expenses.

Why Companies Need to Take Control of Travel and Expenses

Travel and expense (T&E) is considered the second largest controllable expense after salaries and benefits. However, T&E costs for organizations form a significant part of the budget, contributing about 6 to 12% of the total annual budget (based on an internal assessment we conducted across different customers and industries). According to this study, for organizations that have annual revenue between $100m and $500m, the average T&E expenses amounted to $1.5-1.6 million in 2016. Purchases outside of airfare, lodging, and automobile rentals are typically the least controllable travel expenses.

In addition, T&E has been a haven for fraud, bribes, and spend violations. Non-compliant and fraudulent spending cost organizations hundreds of thousands of dollars every year. In 2015, the US Securities and Exchanges Commission brought two enforcement actions under the Foreign Corrupt Practices Act specifically against bribery hidden as travel and entertainment expenses. The cases are cautionary tales for companies that don't have fool proof T&E controls.

Organizations and employees have differing priorities pertaining to travel and expense management (see Figure 1). While organization focus on compliance, cost, and safety, employees aim for comfort, luxury, and convenience.

Employee Priorities

Luxury and Comfort- Enjoyable and comfortable business travel

Convenience and Ease- Hassle-free travel

Finance Ownership- Let finance team followup for reports submission & docs

Millenials Maximum usage of Air,travel and hotel expenses

Loss of receipts

Awareness on T&E policy

Late report submission

Lack of visibility into spend

Review Policy Violation

Duplicate claims

Fraud claims

Audit for compliance

Corporate Card for personal expenses

Organization Priorities

Compliance to Policy- Adherence in all situations with zero tolerance

Cost control with cheapest fare and economy path/class

Employee Ownership- Let employees have defined ownership for timely submission

Allowance based limits to control expenses

Figure 1: Global Travel and Expense Conundrum

Seven Key Roadblocks to Improve Travel Expense Management

An inefficient T&E platform fails to provide visibility and insight to the management to understand employee behavior. Manual data entry, delayed document submission, and the inability to enforce corporate policies are some major drawbacks while managing T&E.

Limited awareness of the T&E policy: All employees are required to read and understand the standard T&E policy. In many cases, the lack of awareness leads to submission of claims that are not reimbursable, thereby increasing the out of policy spend for the business.

Late submissions and loss of receipts: In many cases, employees fail to submit expense reports within the stipulated time and therefore, are not reimbursed. Companies might consider reimbursing expenses beyond the stipulated time if the employee gets additional approvals. Expenses that are not allocated to a particular cost center can lead to incorrect entries in the P&L statement, which may impact budgeting.

Effort intensive review process: Based on our travel and expense study, nearly 23 to 26% of organizations have poor visibility into expense data. Consequently, considerable effort and time is spent on reviewing and ensuring adherence to T&E policies, making it cumbersome to identify and fix violations on time, before they become difficult to control.

Lack of visibility into spend analysis: Companies need visibility into the 'how' and 'why' of T&E expenses to optimize their overall spend. The absence of such insights hampers the organization's ability to negotiate deals with vendors, airlines, travel agents, and hotels. Moreover, without comprehensive spend analysis, companies cannot educate employees and amend policies to capture early discounts and save costs.

Potential fraud and duplicate requests: T&E fraud typically involves falsifying or inflating the expense amounts, altering receipts, and keeping out of pocket expenses just under the receipt limit. The cost implications for the company can be huge even if it is only a small number of employees who commit the fraud. Often, employees submit duplicate claims as well.

Low VAT reclamations: Companies are eligible to reclaim Value Added Tax (VAT) on business transactions, including travel expenses incurred in other countries. Typically, VAT reclamations by companies are in the range of 20 to 30%

owing to multiple challenges such as diverse VAT legislation and high non-compliance rate of employees.

Use of corporate card for personal expenses: A major concern for companies is the use of corporate cards for personal use by employees. Some employees may fail to mark these expenses as personal in the T&E report. Moreover, companies will not be able to deduct the expense directly from employees' salaries due to government regulations.
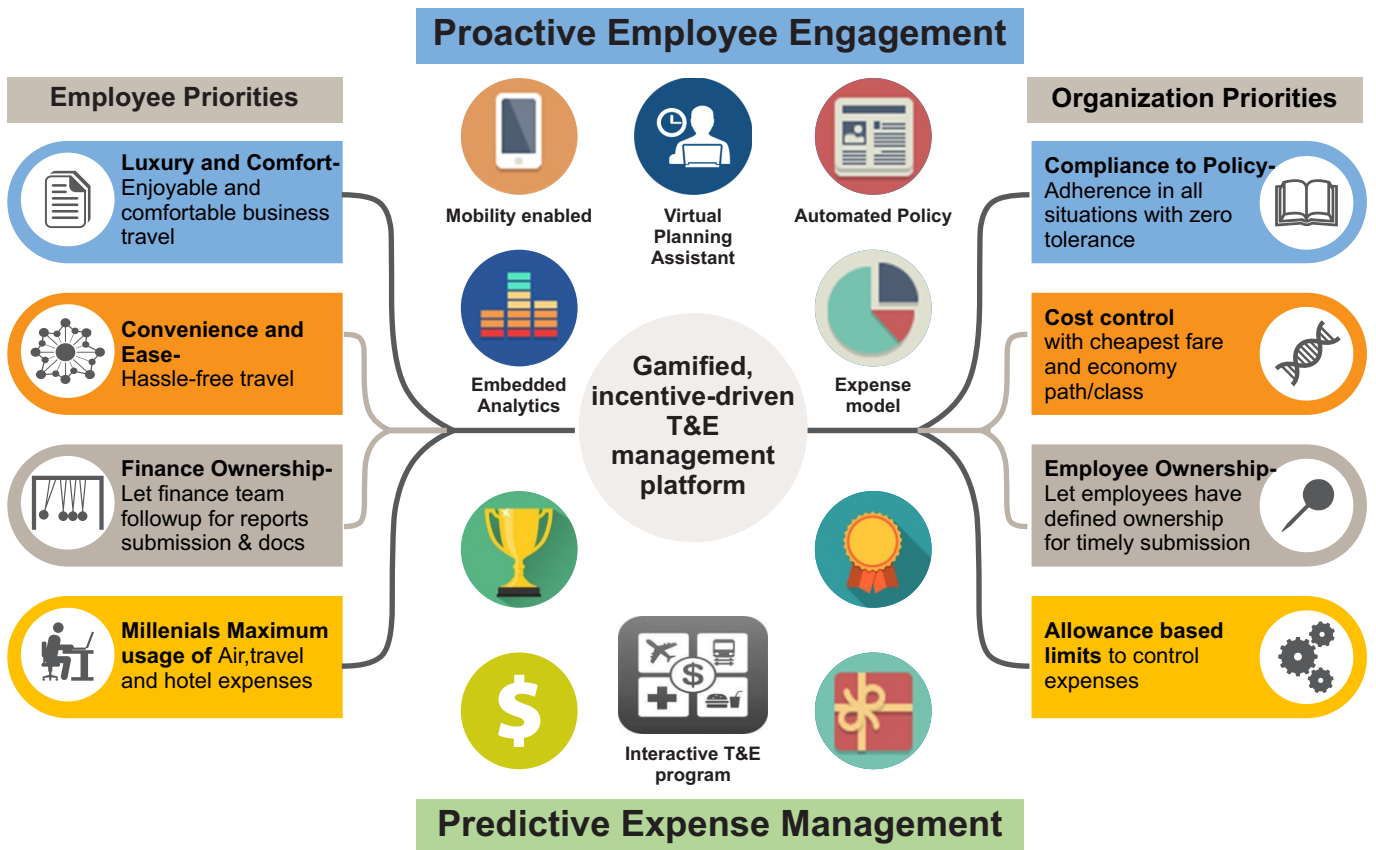
An automated, intuitive, and incentive-based T&E management platform can help address these challenges and drive employee responsibility and accountability, helping an organization better manage T&E spend and improve the bottom line.

Playing to Win: Automation and Gamification Techniques for Expense management

An inherent challenge with T&E management is that employees might not always consider it important and may not have any reason to contain the spend. Addressing employee disengagement is the first step to improving T&E management. Gamifying this activity is a promising option (see Figure 2). T&E gamification is aimed at turning business travel management into a game where employees win points, rewards, and prizes for choosing company-preferred airlines, hotel, restaurants, and so on.

An automated T&E solution with an inbuilt gamification module will help simplify the process of submissions and reimbursement, and also help track data points in relation to travel spend.

Gamification can be effectively used to drive policy compliance and lower T&E expenses by enhancing employee experience through leaderboards, individual scores, rewards, and recognition. The solution must automatically increase or reduce the score of a user based on predefined parameters like time taken to submit the expense report or approve an expense (for managers), policy adherence, out of policy expenses, missing attachments, and so on.

Proactive Employee Engagement

Employee Priorities

Luxury and Comfort- Enjoyable and comfortable business travel

Convenience and Ease- Hassle-free travel

Finance Ownership- Let finance team followup for reports submission & docs

Millenials Maximum usage of Air,travel and hotel expenses

Mobility enabled

Virtual Planning Assistant

Automated Policy

Embedded Analytics

Gamified, incentive-driven T&E management platform

Expense model

Interactive T&E program

Organization Priorities

Compliance to Policy- Adherence in all situations with zero tolerance

Cost control with cheapest fare and economy path/class

Employee Ownership- Let employees have defined ownership for timely submission

Allowance based limits to control expenses

Predictive Expense Management

Implementation Roadmap and Maturity States for Electronic Cataloging

Critical features of a gamified T&E management solution include:

Automated policy compliance: The T&E platform must automatically check for any policy violations during claims submission. The score given to an employee can be increased or decreased according to the submission. Incentivizing submissions will encourage cautious and responsible spending by employees and drive policy compliance.

Periodic tracking and mobility app report submission: Based on the delay between the expense date and the date when the expense report is submitted, the system automatically increases or decreases the employee's score. A mobile app with cam scanner options enables to raise the claim on-the-go, making it simpler and easier for employees to submit reports on time.

Expense model for fraud management: Establish an expense model using this three-step process.

- Compute employees' expense scores (on a scale of 1 - 100) using risk factors basis the history of transactions like spend and designation mismatch variance, weekend transactions, total number of transactions, average amount spend, and more. Thereafter, identify employees with high expense score.

- Determine and assign transaction level score and link this to the expense score of employees with high risk factor. Audit prioritization to be based on high-risk score of transaction of submitted claim.

- Segment employees based on high value claim across hotel, travel, and dining, in order to identify potential fraud.

Embedded analytics and virtual assistant to optimize T&E spend: A robust analytics engine embedded within the T&E platform can help optimize the spend by identifying potential savings. The engine should have the capability to issue alerts and triggers indicating deviation from policy and identify high-risk transactions. This will also help to detect anomalies in spend patterns, enabling the organization to identify suspicious spend activities and link to employee score. Integrating the travel booking website with the virtual planning assistant will help identify economy travel options, cheaper cab rides, and discounted hotel stays.

Employee-friendly T&E training program: As opposed to reading lengthy policy documents, gamifying the T&E training program can help engage employees. All employees must complete the T&E training and the scorecard must reflect the completion.

Rewarding and motivating employees: The gamification scorecard should be tracked at individual, team, and unit levels. Employees who do not spend their entire allowance can choose between receiving the remaining allowance in the next paycheck, saving funds for a future trip, or donating it to charity of their choice. Employees should receive automatic alerts, winners publication through internal mails and corporate newsletters or awarding certificates, gift cards, or even cash, for monetary benefits with incentive scheme.

How Technology Will Transform T&E Management

A well thought through gamification solution leveraging technologies like mobility and virtualization, using corporate cards with alerts, and integration with online tools can make compliance with T&E policies a lot easier for employees. Today's business travelers innately identify with the concept of gaming and are more likely to respond to rewards and badges. Moreover, they are willing to adopt a more intuitive and engaging process, which makes gamification the ideal solution for T&E management.

The future of T&E rests on digital forces of mobility, Big Data, and predictive analytics. These technologies will continue to play a critical role as companies look to optimize T&E spend through enforcement of stringent policies and controls. Deploying virtual planning assistants, linking T&E platform to online booking tools, using corporate cards with in-built expense controls and limits, and using smartphones with apps and voice recognition tools are some of the ways in which organizations can enhance employee experience of employee while containing T&E spend. The future is not just about being frugal but also making the business travel smarter and more efficient through innovative programs driven by technology.

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