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THE FUTURE OF

SPEND MANAGEMENT

2022

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Introduction

The current economic environment of high inflation, increased costs, and weakening consumer confidence has led many companies to begin looking closely at what their running expenses are and, where possible, to streamline them.

But doing this the traditional way through normal accounting software is both time-consuming and difficult; receipts must be checked and double-checked, separate corporate cards may not have their information linked, people come and go while often forgetting to manage or terminate subscriptions.

All of this means in these straitened times that there is a clear, cognisant need for real-time insights that firms can digest and act upon. This means that the information collected and gleaned also needs to be put into its proper context, with relevant insight.

But the issue many companies face is that their current systems do not offer any real-time insight. Collecting receipts over time and processing reimbursements and orders means that vital information is often not assessed properly at the point when it is needed—immediately. During a recession when every penny of every revenue stream needs to be accounted for accurately and quickly, this situation can be chaotic for finance teams.

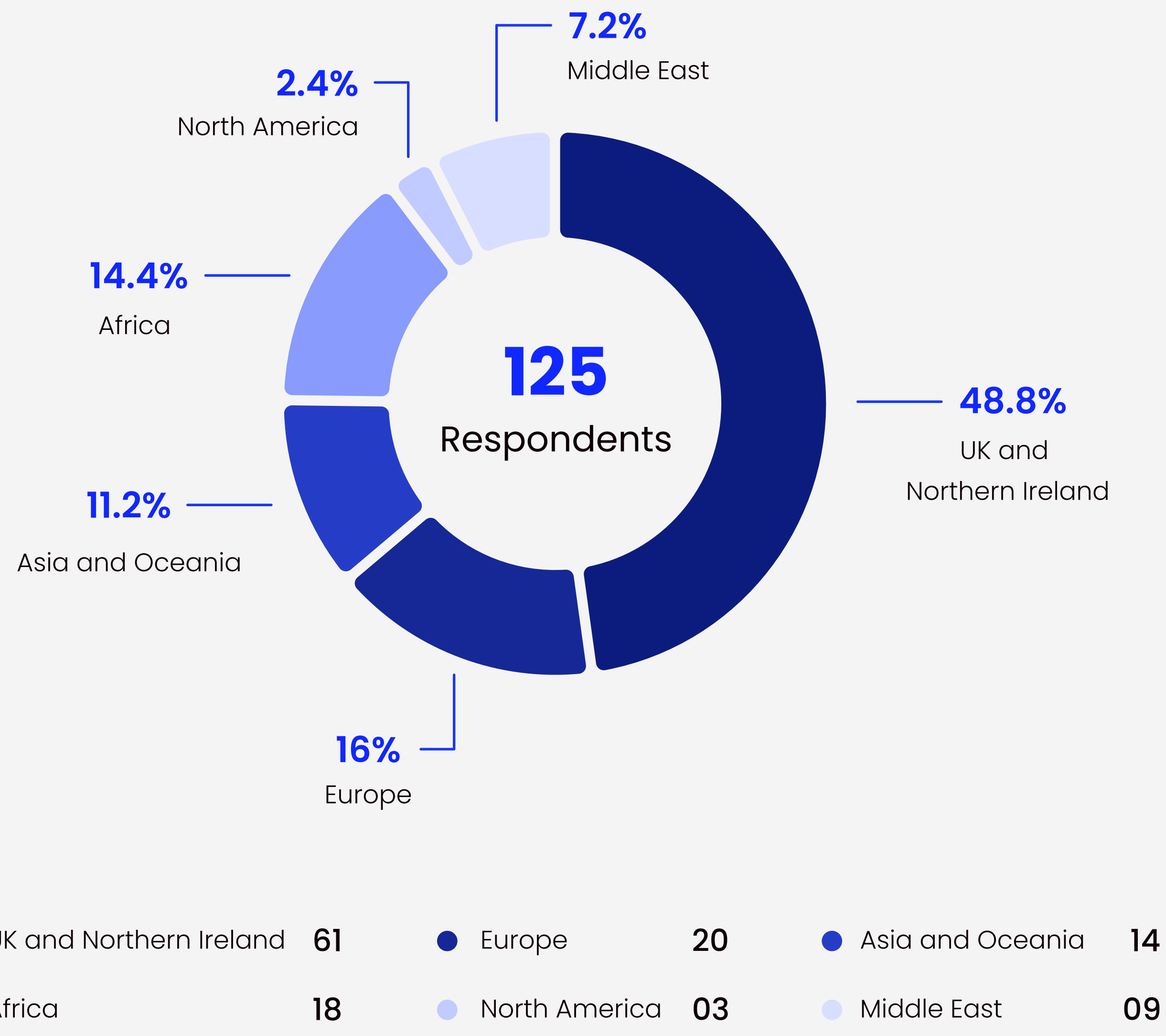
Kloo, working with The CFO, has published research entitled The Future of Spend Management. In putting together this work, 125 finance professionals from across the world were surveyed.

Profile Of Respondents:

For this survey, 125 respondents provided insight into their spend management strategies.

Geography

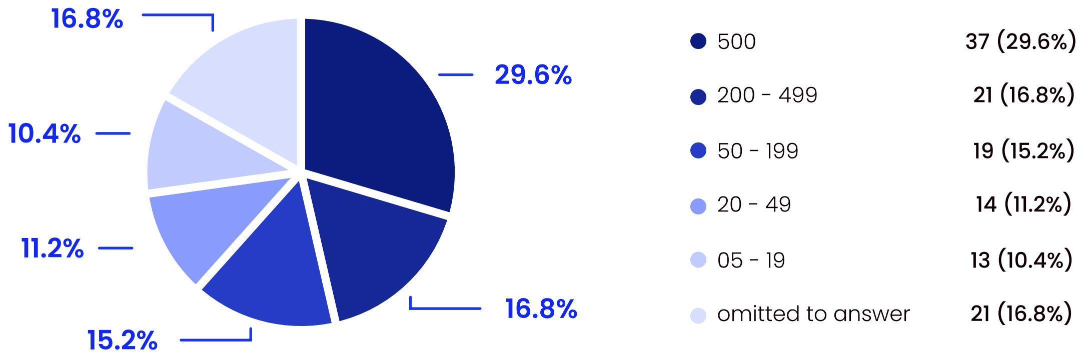
Geographically, 61 of those responding (48.8%) came from the UK and Northern Ireland, with a further 20 (16%) coming from Europe, 14 from Asia and Oceania (11.2%), 18 in Africa (14.4%), three in North America (2.4%), and 9 in the Middle East (7.2%).



There was great variance in the size of companies that responded to The Future of Spend Management Survey 2022:

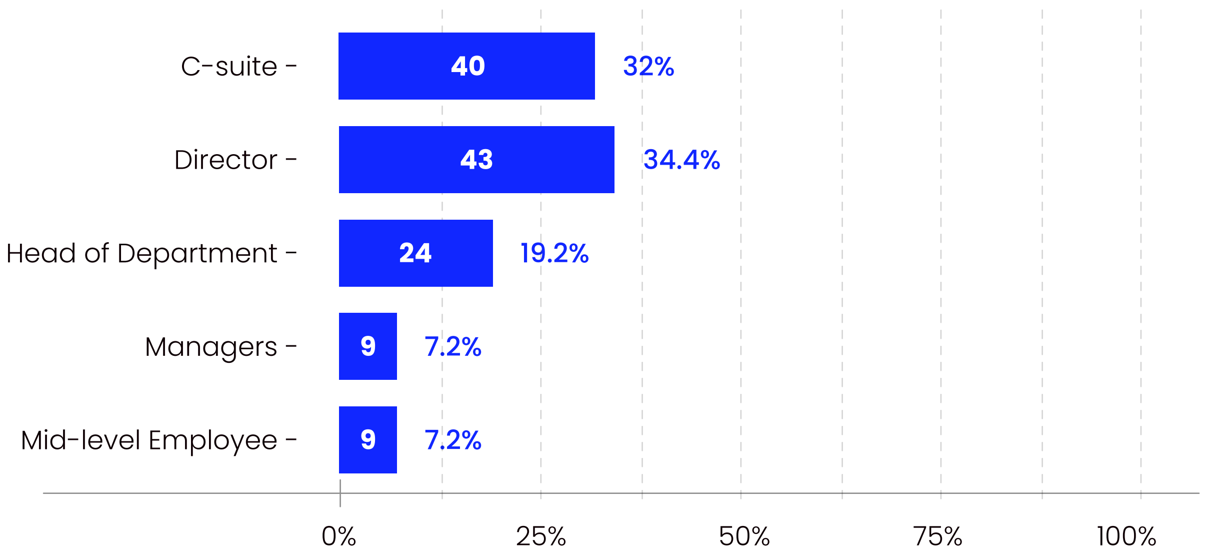
Company Size

37 (29.6%) of the 125 respondents said that they had more than 500 employees, while 21 (16.8%) said they had between 200 and 499 employees. A further 19 (15.2%) firms reported having between 50 and 199 employees, 14 (11.2%) said they had between 20 and 49 employees, and 13 (10.4%) reported 5 to 19 employees. 21 (16.8%) omitted to answer this question.



Job Title

In terms of job title, 40 respondents (32%) held C-suite positions, with a further 43 (34.4%) holding the role of director. The survey was also completed by 24 heads of department (19.2%), 9 (7.2%) managers, and 9 (7.2%) mid-level employees.



Economic Pressures

- Finance teams are under pressure like never before.
- Their work is being impacted by the current macroeconomic climate.
- CFOs need to have a deep understanding of all aspects of spend
- The current climate provides great training for firms to plan for future disruptions.
- The cost of purchasing and implementing new tools is holding firms back.

Most companies in the present climate are looking to, if not to cut their spending, then to better manage it. Amongst those who responded to The CFO's The Future of Spend Management Survey 2022, over 86% said they agreed or strongly agreed with the statement that the current economic environment was putting pressure on their finance teams to closely examine how the company manages and spends money.

A business manager of one major construction firm told The CFO that they were looking internally to see what expenses could be cut.

"We looked at our expenses to see where reductions can be made which has involved cancelling some subscriptions where the information is available online," they said.

"Mostly the savings will be made from looking at debts and interest rates and reducing unnecessary costs there."

What has become clear is that the current economic climate—and a likely recession in Europe next year—is putting more pressure on finance teams than ever before. And with that extra pressure will be a demand for additional scrutiny as to how a business is spending its money, and on what it is spending it on.

A good CFO in these times will need to understand as part of their role what spend requests are being made, where those spends are flowing, and how it is being approved. Once they have in place systems to do this, these systems will also provide opportunities for businesses to plan for future disruptions and to manage their spend through an economic downturn beyond merely freezing budgets.

And, yet, when asked whether their finance team has the tools needed to respond to current economic pressures, nearly three in ten respondents **(29.3%)** said that they did not believe that those tools were in place. And this comes at a time when C-suite executives are aware that more help and support is needed.

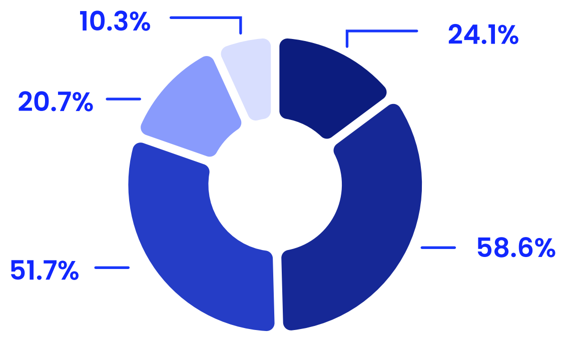
There is also the suggestion that even those firms with those tools at their disposal may be somewhat late to the party. "Yes, we took the initiative on this about three months ago," said a performance director at a UK-based marketing firm.

"I think it's one of those things that we needed to do because there's often a bit of bloat in the business from old subscriptions or unpaid invoices. In fact, I think everyone in our industry has been looking to get their ducks in a row in recent months in order to make savings."

The question was put to respondents as to what was preventing their team from adopting the tools necessary to properly manage the company's spending. For this, respondents could choose from four preordained answers and/or write in their own response.

The vast majority (58.3%) said that the effort required to design and implement a new solution was prohibitive, closely followed by half (50%) citing the cost of purchasing or subscribing to new tools.

What is preventing your team from adopting the needed tools?



Unaware of the tools that would do a better job	24.1%
Effort required to design and implement a new solution	58.6%
Cost of purchasing or subscribing to new tools	51.7%
Company is committed to current practices	20.7%
Other	10.3%

Current Spend Management Frameworks And Their Pain Points

The top pain points reported by businesses when it comes to managing spend were:

70%	75%	75%	63%
Accuracy of expense reports	Sourcing missing information from expense reports	Chasing employees for receipts	Manually reconciling expense data

The survey asked businesses where the biggest pain points were in relation to how they managed their spend.

This part of the survey received 488 responses from 122 respondents regarding four tasks that their finance teams undertook.

The responses indicated the **top pain points for businesses were filling in missing information on expense reports and chasing employees for receipts** and other material, both being cited by 76.2% of respondents. Not far behind these was ensuring expense reports are accurate (69.6%) and manually reconciling expenses and data input (65.6%).

This all suggests that the current processes being used by firms are clunky, drain on resources, and time-consuming—in other words, there are numerous efficiency gains that can be made.

Invoices, receipts, and purchase orders (POs) take up a lot of time for businesses to store and process. Good spend management practices should make it easy to retrieve and keep track of essential documents for record-keeping purposes and due diligence, including matching documents to authenticate transactions.

The Future of Spend Management Survey 2022 asked respondents how many tools they were using to manage company spend. In defining company spend, this included expenses and reimbursements, company cards, budgeting, invoicing, and approval tracking.

The results, from 123 responses, found that nearly half of firms (44.7%) were using one to three products or tools, with another 39% saying that they were using four to six tools. Worryingly, 16.2% said that they were using anywhere from seven tools to more than ten.

That so many (55.2%) said that they were using so many tools indicates a concrete, definite need for companies to adopt fewer systems, or a single solution, in order to gain a company-wide view of what form their spending takes. There are multiple negative knock-on effects from having so many systems in use.

It is not only complicated and time-consuming to be using so many different platforms, but there is a specialised degree of knowledge that is needed to be able to not only operate these platforms but understand how they interact—or not—with each other.

Quite often, there is a learning cost associated with this and a firm may be reliant on one or two key people in order to understand how their processes work. And it is a process that is still often done manually, with discrepancies and efficiencies only apparent to a human eye.

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As a leading marketer said,

> *We don't really use anything to reconcile our spending. Our invoicing is done through Xero and we put our expenses through on a central card. Then we have an accountant who does some reconciliation here and there, spotting duplicate invoices and subscriptions*

It is, admitted by another marketer, mostly an ad hoc process.

"We have the tools we need," they told The CFO." As a medium-sized firm, we're able to do a lot of stuff through our own processes after we've outgrown rudimentary management stuff. We've got processes that we've developed using multiple systems over the years."

Reimbursements—paying back employees for expenses raised at the company's request—are another area in which advancement seems desperately needed. A concerning percentage of those responding **(77.1%)** said that they were still reliant on using email, spreadsheets, or shared documents to manage this critical area of the business—not much more than a step above pen and paper. Meanwhile, fewer than one in four (23.8%) say that they are using an integrated spend management platform such as those provided by Kloo.

Businesses are aware of the efficiency gains which could be made using new spend management features; 71.2% of respondents deemed the ability to analyse and manage budget against actual spend to be important or very important when considering a spend management tool.

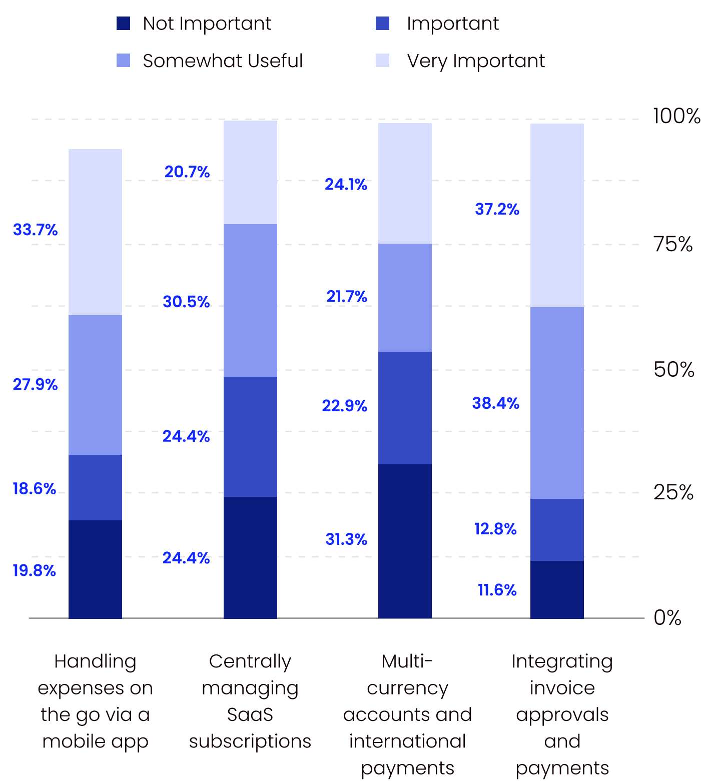
Meanwhile, 61.1% said the same about handling expenses on the go through a mobile app. However, the need to integrate invoice approvals and payments, and well as centrally manage SaaS subscriptions was also important.

These are longstanding, well-known problems. So what is standing in the way?

In Kloo's experience, the three most-common reasons why spend management solutions are not implemented are:

1. The time and effort needed to implement a new solution within a business.
2. Cost of purchasing or subscribing to new tools.
3. Lack of awareness on tools that can streamline their processes and boost efficiency

If you were considering a tool to manage your company's spend, how would you rate the importance of these features?



Box-Out: Use Of Corporate Cards

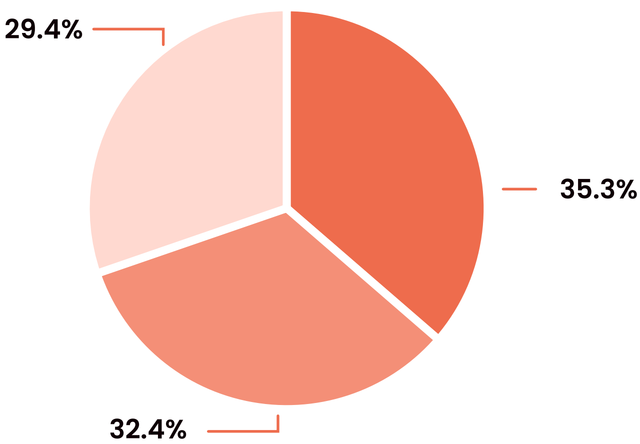
Every business, to some extent, uses corporate cards as part of their spending. Most senior staff within a firm who are authorised to use corporate cards are used to using them, and it is generally ingrained into company spending culture.

And, yet, a significant proportion of respondents (27.9%) to The Future of Spend Management Survey 2022 said that their companies were looking to reduce the use of corporate cards in the current economic climate.

As to why they were looking to do this, the respondents' reasoning was broad. That companies may be looking to reduce the use of corporate cards ties in with the rise in the employee-reimbursement model in recent years, in which employees pay for whatever item or service is needed, with the amount then repaid to them later.

But to the question of why some firms were looking to reduce their corporate card usage, 41.2% of those responding to the question said that the high cost of managing such a payment system was a key factor. This was followed by concerns over the lack of controls over card use (35.3%), the administrative effort needed to reconcile card transactions (32.4%), and there being too little visibility into card spend (29.4%).

There are ways to address the various issues faced by companies in using corporate cards, however. For example, the high costs of managing cards could be offset by moving to a lower-cost corporate card solution as part of a large spend-management restructure.



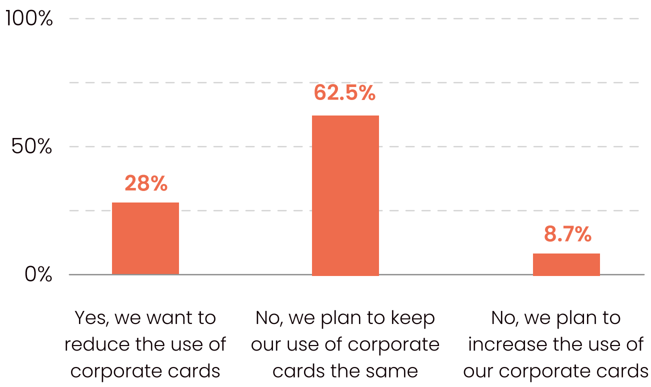
The lack of controls over card use	35.3%
The administrative effort needed to reconcile card transactions	32.4%
Too little visibility into card spend	29.4%

Likewise, the administrative effort required to reconcile card transactions may be reduced through the implementation of application processing interfaces (APIs) and smart platforms that are compatible with each other and seek to massive reduce reconciliation time.

A lack of control over card use can be mitigated by using a platform with relevant real-time transparency and controls that can also support spend policies in a flexible and automatic way. The opacity of card spend, or the difficulty in seeing how the card is being used, may be tempered by developing a new, holistic system or simply moving to a new platform.

No spend management framework can be said to be successful if it does not give sufficient visibility into card spend on an appropriate timeline.

Does your company plan to reduce its use of corporate cards in the future?



Visibility And Compliance

The survey shows that there are still areas in which vast improvement can be made in terms of employee spend visibility.

One of the questions asked of participants was how they rated the visibility into their company's expenditures across invoices, reimbursements, and corporate cards. The results, starkly, indicated that over **50%** said that recorded data lags where they were not able to assess their spending properly within days or even weeks.

Only a little over a third **(36.1%)** said that they had real-time visibility of their spend in real-time in one system, with 12.3% saying that they had real-time visibility spread across multiple systems.

Of all those who responded, **32%** said that they had data lags of more than one week, spread across single or multiple systems.

As the marketing manager for one ad firm told The CFO,

> *"the internal tracking of advertising spend is often harder because we are looking at it across more than 10 channels. That is where it gets more difficult."*

A company with high spend visibility is one that can easily track where money is being allocated and spent. This level of transparency allows for better decision-making, as well as spend optimisation, which is the ability to make the most of every dollar and drastically reduce waste.

Low spend visibility, on the other hand, is the opposite of this. In a company with low visibility, it is difficult (if not impossible) to track spending in any meaningful way.

This can lead to all sorts of problems, including wasted time and money, decreased efficiency, and organisational chaos.

Ensuring compliance with company policy is also an area where improvements can be made. Only a little over a quarter **(26.2%)** of respondents reported spend 'never' being a problem for company policy. Meanwhile, 43.4% of firms have occasional policy violations, and 20.3% have regular, frequent, or constant issues with spend policy violations.

One area that companies do not look enough at is that of 'black hole spending', a term that Kloo coined in its '"Black hole" spend is scary – here's how to fix it', published in 2022.

'Black hole spending' refers to costs that are forgotten about or have increased significantly without scrutiny.

The best example is SaaS subscriptions that can often go on much longer than needed or not have a close link between usage and cost. Other examples can also include where the spend policy or expectations are not clear, such as creeping costs in terms of employee expenses, travel, client entertainment etc.

This sort of situation causes problems when it comes to budgeting because these costs are not accounted for leading to savings that must be found elsewhere. Kloo encourages new customers to sign up for their free analytics product that provides the perfect foundations for understanding where a business is spending.

How Spend Management Frameworks Will Evolve

We are living in trying and unprecedented times, and companies are either evolving, or planning to evolve. Nearly six out of ten (59.1% respondents to The Future) of Spend Management Survey 2022 said that they were looking to make changes to how they manage their spend over the next two years.

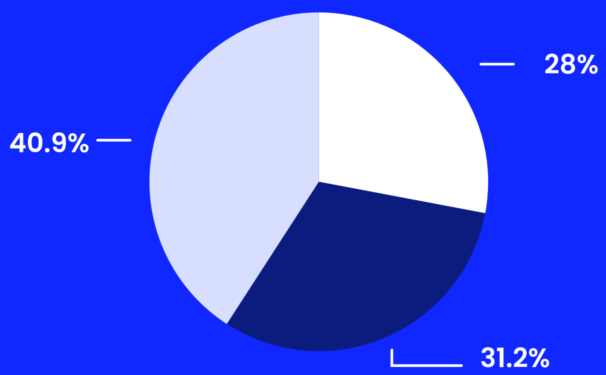
Automation was named by many as a feature they would like to apply to their systems; cloud-based and user-friendly were also popular options. Some respondents wished openly for better analytics and forecasting.

Reflecting the need for real-time-based solutions, many asked for the solutions to also be available through an app—managing a company's spending while on the go has obvious benefits.

Other suggestions included:

1. 'A simple personal statement that shows the user what they have spent versus the company average, and what was out of policy',
2. The easy capture and upload of vouchers against the system we are using at the moment',
3. 'No manual input required! Full automation.',
4. 'Easy ability to analyse per project',
5. 'Automatic recognition of scanned invoices (by mobile) and automated alert if high spending is being triggered based on our budget planned'.

Are you considering making changes to how you manage your spend in the next 12 months?



Definitely in the next 12 months	28%
Probably in the next 12 months	31.2%
No, we are happy with our current system	40.9%

Kloo is working on continual improvements to its offering. Analytics is one of the company's key areas for differentiation. With Kloo, users can connect their accounting software in minutes and get real-time visualisations and insights into spend that normally takes finance teams hours to produce. Their analytics platform is layered on top of a firm's accounting software which enables them to quickly interrogate their costs and spot trends.

As an end-to-send spend-management platform, Kloo is also able to offer virtual cards, physical cards, accounts payable, configurable approval flows, integration to accounting software, and much more.

Having the end-to-end process in one place greatly enhances the value of the platform in terms of reduced admin for finance teams, audit trail around spend, and ease of use.

Conclusion

A tightening economic outlook is causing many firms to look not only at what their spending, but how they spend it. For many, this has not been a recent development but a course of action that they have been on for some time. However, many are still using legacy systems that are not fully compatible with each other and lack real-time insight. Many, too, believe that they do not have all the tools, or the right tools, to properly execute spend management. The high number of tools being used also suggests that firms have not looked properly at consolidating their processes in one place.

It was suggested, overall, by The Future of Spend Management Survey 2022 that current processes are clunky and drain both time and resources. In other words, there are numerous gains to be made simply through efficiency.

It is clear many firms would benefit from implementing a robust spend management solution that makes it straightforward to retrieve and keep track of essential documents for record-keeping purposes and due diligence, including matching documents to authenticate transactions.

Transparency remains an issue, with over half of those surveyed reporting data lags when information about their company's spending is not available for days or even weeks. In the a globalised, real-time economy, that delay is increasingly unacceptable. Opacity around spending means that there is no meaningful way to track where and how a firm spends its money.

One of the key outcomes of using Kloo is that a business gets far greater visibility and real-time insight into their operational spend. Having this visibility is the first step towards optimising spend. Once you know what you are spending on, then you can evaluate the areas of wastage or potential for cost savings. We find that when we work with new customers, we invariably generate cost savings that far exceed the fees for our platform.

It is important to optimise your company's costs at any point in the economic cycle but as we enter a likely economic slowdown, Kloo's proposition becomes increasingly important and relevant.

Tim Baker, Co-Founder Of Kloo

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