

# COVID-19: travel and expense solution vendors must make adjustments

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The COVID-19 pandemic is creating many challenges for vendors of travel and expense (T&E) solutions, not least because most travel has stopped. However, the market has not disappeared completely, and the crisis is pushing vendors to make changes to their solutions. We still expect growth in the value of the T&E solutions market in the longer term.

## Vendors should update their T&E management solutions to meet changing demands

Booking tools that are a key part of current travel management solutions are becoming less useful due to worldwide travel restrictions. Business travellers are resorting to making direct bookings because T&E solutions do not include up-to-date COVID-19-related travel restrictions. Vendors should therefore work to provide visibility of travel restriction policies within their existing T&E tools. They should also consider adding training sessions for how to protect employees' health because companies are more concerned than ever about the safety of their employees. For example, Expensify has introduced a new booking service, Concierge Travel, which includes COVID-19 travel-related alerts, complimentary medical assistance and real-time reservation updates.

The travel industry is going through a series of mergers, acquisitions and closures. RavnAir (Alaska), Air Deccan (India), Flybe (UK), Miami Air International and others have filed for bankruptcy protection or have entered into voluntary administration. It is therefore essential that vendors stay abreast of the industry news and ensure that their T&E solutions are kept up-to-date.

The adoption of cloud-based T&E solutions is growing as a result of the COVID-19 pandemic. Restrictions on movement have increased the amount of remote working, which is observed to be a powerful driver for SaaS sales. The results from our [COVID-19 survey](#) in the USA show that 72% of medium-sized businesses and 55% of small businesses have introduced remote working or have increased the proportion of staff that are working from home. Even businesses that were previously reluctant or slow to adopt cloud solutions have been forced to take this step for business continuity. Remote working arrangements come with increased fraud and security concerns and the use of cloud-based business solutions can mitigate these risks by providing better visibility into company spending.

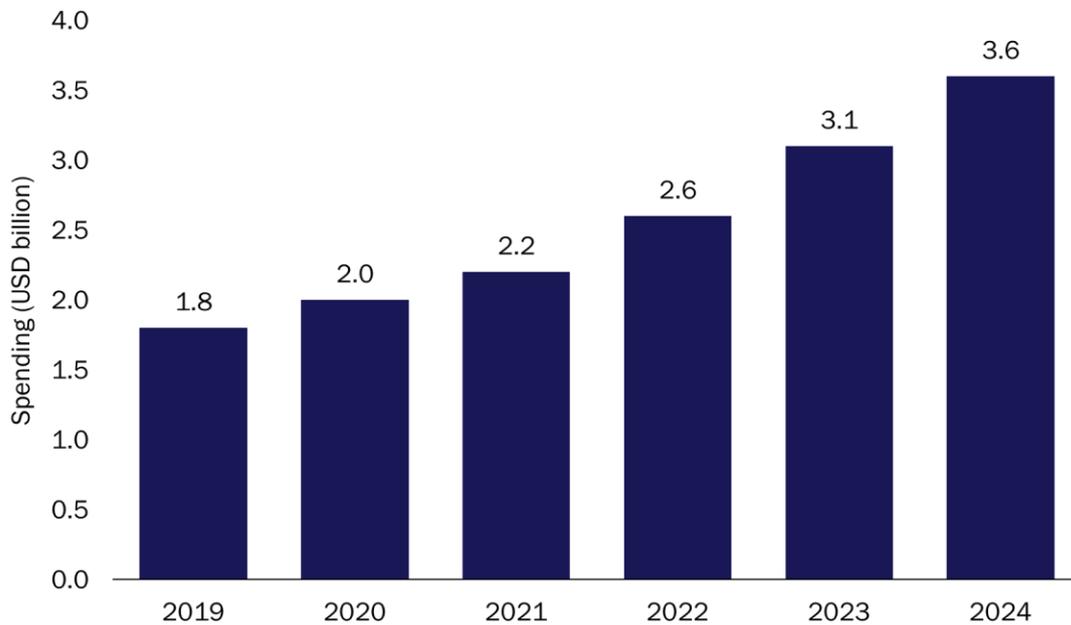
## T&E solution vendors should focus on providing better visibility into home IT spending and on strengthening compliance policies

Many businesses received a sudden surge of expenses for office supplies from retailers such as Amazon when working from home began around April 2020. The shift to working from home has changed the requirements for an expenses system because the types of expenses have themselves changed: employees are now more likely to spend on IT hardware than a lunch with a client. Managing expenses is harder than ever with so many employees working from home, and as such, the chances of fraud are higher than before.

As a result, the demand for T&E solutions with advanced fraud management functionalities and customisable features (such as detailing the IT-related expenses per employee and flagging duplicate expense entries) has increased. Finance teams are redesigning their expenses policies to fit the new situation. T&E solution vendors need to strengthen their applications’ risk and compliance capabilities and enhance the visibility of data related to common spend categories (such as office supplies, electronics and equipment).

We are still optimistic about the long-term prospects for the cloud-based T&E solution market, despite the economic downturn and the challenges in the travel industry. It is expected that travel restrictions will lift soon after vaccines are made available and it is safe to travel, perhaps in mid-2021. The pandemic has pushed businesses to move their solutions to the cloud, and more and more companies are transferring their entire software spend to SaaS-based solutions. Figure 1 shows our worldwide forecast for spending on cloud-based T&E solutions by small and medium-sized businesses (SMBs).

**Figure 1: SMB spending on cloud-based T&E management solutions, worldwide, 2019–2024**



Source: Analysys Mason, 2020

SMB spending on cloud-based T&E solutions will increase by 18% year-on-year in 2021 and 19% year-on-year in 2022. SMBs’ shift from on-premises solutions to SaaS-based T&E solutions will be a key driver of this growth. Reduced travel restrictions and increased safety for business travellers will also play a crucial role.

It is key that T&E solution vendors adapt to the new normal brought about by the COVID-19 crisis. They must reposition their T&E solutions and improve their functionality in order to maintain and grow their T&E customer bases.