The impact of Covid-19 on SME T&E expenses:

the past, present and future for Business Central customers

equisys

Contents

Introduction & key findings

This report highlights how Covid-19 has impacted SME finance teams who are using Business Central, specifically in relation to the volume of staff travel & entertainment expenses that they process.

Using data from our Zetadocs Expenses solution from before, during and after the pandemic peak, this report will examine the changes seen in relation to both the number of expense claims being submitted and the overall number of staff who were regularly submitting expense claims.

Key findings:

- March to April 2020, **expenses dropped by almost 80%** and **active users nearly halved**.

- **May 2020** recorded the **lowest number of submitted expenses** and **active users** during the last 3 years (March 2019 – March 2022).

- It took nearly **2 years** for an **average quarter's submitted expenses** to reach **pre-Covid-19** levels (Q4 19-20 – Q3 21-22).

- **Active users** returned to **pre-Covid-19 levels faster** than submitted expenses.

- Both **active users** and **submitted expenses levels** are **higher** (more than **doubled**) now than before Covid-19.

Covid-19 impact & business expense landscape shift

The impact of Covid-19 since the pandemic began can be seen across virtually all economies and industries, with some industries shrinking up to 90% during the first wave. The health impact has also been massive, with research finding that the Covid-19 pandemic is the most important global health crisis since the 1918 influenza pandemic.

With lockdown measures starting in March 2020 in the UK and around the world, businesses have felt the direct impact too, with industries that rely on personal interactions or travel being hit the hardest. Restaurants, airlines, hotels and gyms are amongst some of the organizations that had no choice but to stop trading.

Even a year on from the initial lockdown, in May 2021 consumer spending in the hospitality sector was still less than 70% of pre-pandemic levels in the UK. As travel and recreation expenditure drastically dropped, there was a massive impact on business travel and entertainment (T&E) expenses.

Prior to the pandemic, Zetadocs Expenses (our cloud-based expense management system for Microsoft Dynamics 365 Business Central & NAV customers) was used for a multitude of expense claims. When business travel, in-person meetings and entertainment costs virtually stopped, the nature of expense claims shifted. With the introduction of the nationwide lockdown, it is approximated that around 5.6 million people in the UK worked mainly from home in 2020. This was over 17% of the UK workforce, with many of these individuals having never worked remotely prior to the pandemic.

This shift in working style resulted in new types of expenses being incurred that many employees simply wouldn't have had to claim previously. Expenses including the cost of additional equipment needed to work productively at home (laptops, extra monitors, office chairs etc) and broadband/internet packages to support multiple devices being online at once.

Number of submitted expenses

The number of expenses submitted by Zetadocs Expenses customers **dropped by nearly 80%** from March to April 2020, when the UK introduced its first lockdown. While this is clearly a significant reduction, it is notable that expenses were still being incurred.

The graph below shows how the number of individual submitted expenses by Zetadocs Expenses changed over the last three years, with the main drop caused by the pandemic highlighted in red.

Zetadocs Expenses: overall submitted expenses
(March 2019 - March 2022)
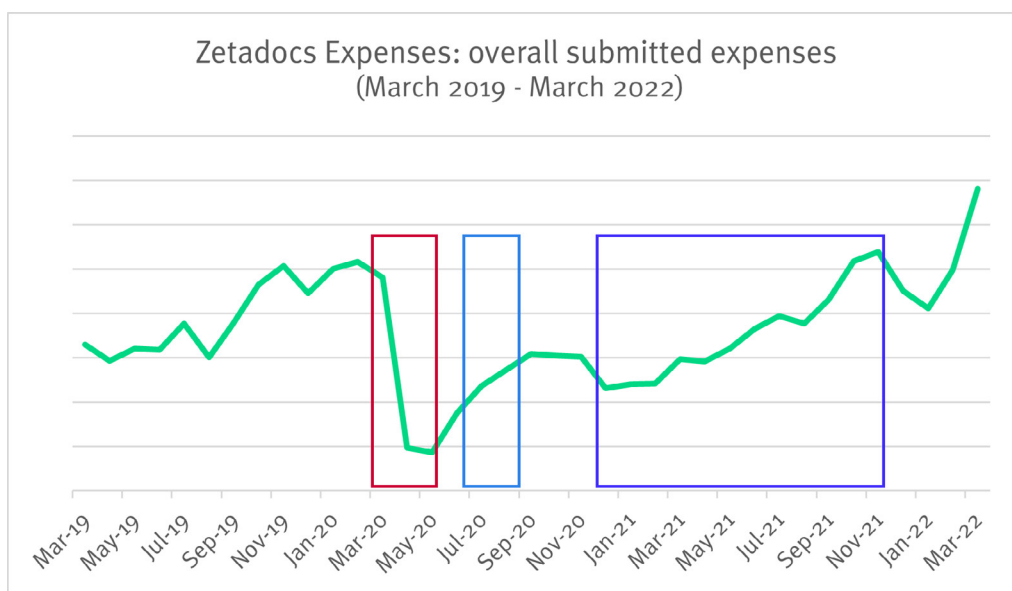
During both April and May 2020, there are further reductions in the number of expenses submitted. These begin to increase in June, with over double the number of expenses compared to the previous month.

Numbers continue to increase, which can be attributed to non-essential shops reopening in June, the reopening of restaurants and pubs in July and the introduction of the Eat Out to Help Out scheme launched in August 2020 in the UK (highlighted in blue).

From September through to November 2020, the number of submitted expenses stays at a similar level, with no massive growth or drops. Even with the UK government asking businesses to introduce working from home (WFH) where possible in September and the second lockdown starting in October, this lockdown didn't have the same impact on expenses as the initial lockdown.

Number of submitted expenses

This could be due to employees and organizations facing less uncertainty around lockdowns and WFH, having previously set up to work remotely.

The next substantial drop (over 23%) occurs during December 2020. The second lockdown may have finished at the start of the month (2nd December), but by mid-month, tougher restrictions were back in place with the introduction of Tier 4 in London and south-east England.

It is important to note that December generally tends to be a quieter month for expenses due to the holidays. A drop can also be seen in December 2019, before the start of the pandemic, where there was a 12% decrease in the number of expenses compared to November.

December 2020 is also when the UK started the rollout of Covid-19 vaccines. Even with England entering the third lockdown at the start of January 2021, by the end of January over 8 million people in the UK had received their first Covid-19 vaccination (over 14% of the population).

As the vaccine rollout continued, the amount of submitted expenses steadily increased during 2021, apart from slight drops in both April and August (1.7% and 4.4% respectively), which may be attributed to the Easter and Summer breaks. Monthly expenses processed reached pre Covid-19 levels for the first time in October 2021 and continued to increase in November (highlighted in purple).

In early December 2021, the UK government again advised people to WFH where possible to restrict the spread of the new Omicron variant. This coupled with the holiday season explains why expenses drop for both December 2021 and January 2022. In the following months, the number of submitted expenses continued to increase, with almost all restrictions having been or in the process of being lifted (including social distancing, masks and restrictions on large gatherings).

Active Zetadocs Expenses users

As with submitted expenses, the number of active users (Zetadocs Expenses users who submit at least one expense in a month) follows a similar trend, but with some notable exceptions.

The numbers generally decrease and increase in line with submitted expenses. This indicates that the story used to explain the changes in expenses submitted may also hold true for explaining active Zetadocs Expenses user fluctuations.

The initial drop, which is in line with the first lockdown, is much greater than any future lockdown-related decline. The opening of non-essential shops and Eat Out to Help Out scheme causes active users to climb (highlighted in grey) and there was mostly steady growth from when the vaccine was rolled out – see the graph below.

Zetadocs Expenses: overall active users
(March 2019 - March 2022)
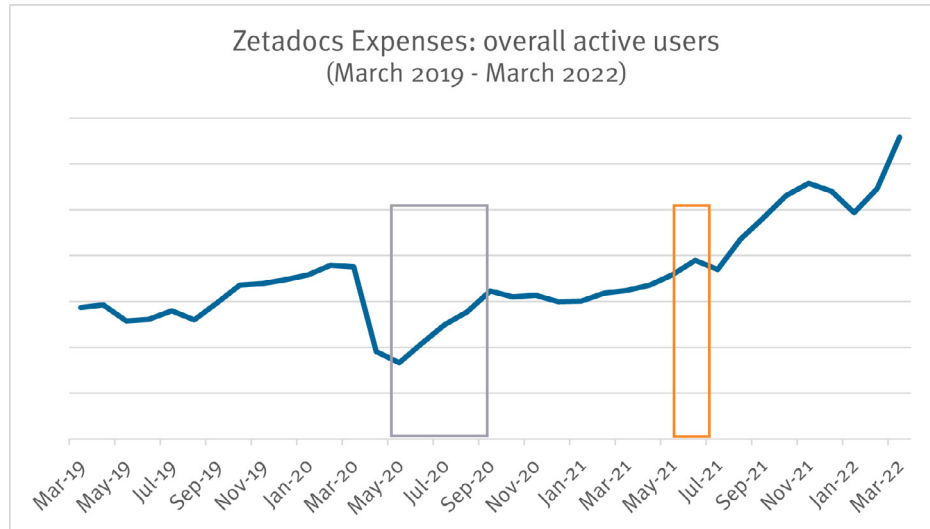
However, one key difference is that the month-on-month active user changes were not as drastic as they were for processed expenses. For example, the March to April 2020 drop for active users is just under 50%, compared to nearly 80% for expenses, and the drop in active users in December 2020 is 4.4%, compared to a 23.6% drop in expenses processed.

Active Zetadocs Expenses users
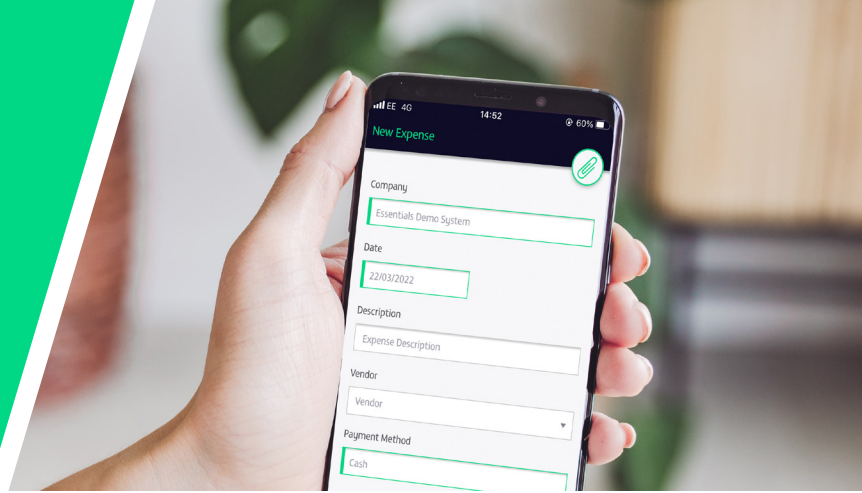
Additionally, active user numbers reached pre-Covid-19 levels quicker than the number of expenses processed (highlighted in orange). It was in June 2021 that the number of active Zetadocs Expenses users overtook previous levels, whereas it took four months longer (October 2021) for the number of expenses submitted to surpass pre-Covid levels.

This could be attributed to people returning to the office in-between lockdowns and shifting to hybrid working patterns. With many companies shifting to a mixture of office and remote working, i.e. 2 or 3 days in the office, people may have started to incur and submit T&E expenses but not at the same rate at which they previously did if they were in the office 5 days a week.

Post Covid-19 transformation: the future
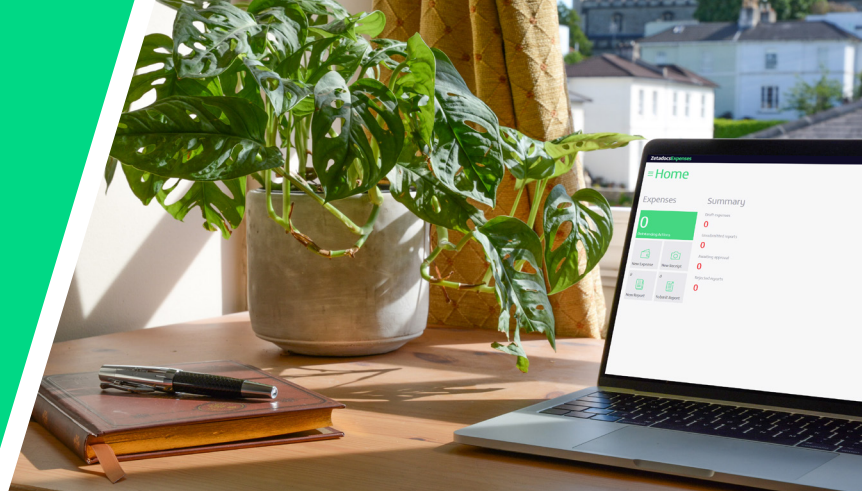
The impact of Covid-19 on our Zetadocs Expenses customers since the pandemic began has been huge, even if pre-Covid levels have now returned.

With the initial reduction of expenses and the shift from regular T&E expenses to mainly one-off expenses associated with enabling remote working, the expense management landscape saw a lot of change.

The impact of Covid-19 forced businesses to think about their current business processes and see what would need to be adapted to work in a hybrid working world. Research has shown that responses to the pandemic have sped up the adoption of digital technologies by several years. Certain research states that to grow and thrive in a post-COVID-19 world, swift digital transformation into a pandemic-proof organizational model is vital.

This is true for how companies process their expenses as well. Almost overnight, it was no longer possible to leave monthly expense spreadsheets and paper receipts on managers' desks for them to approve and then pass onto finance teams. Organizations needed a way for their employees to submit their expenses from anywhere, anytime online, and for these to be approved and processed digitally too.

Zetadocs Expenses

This is where an expense management system like Zetadocs Expenses greatly benefits all the stakeholders involved in the expense process. Submitters can easily submit expenses via our app from anywhere in the world as soon as they are incurred, no longer having to save all their paper receipts to submit at the end of the month.

Approvers are notified once they need to review any expense reports. Again, this can also be done on the go. Finance teams are no longer required to rekey information as approved expenses are recorded seamlessly into Business Central. Additional benefits include the ability to set policies and keep on track of company-wide expenses via various reporting insights.

Post Covid-19 transformation: the future
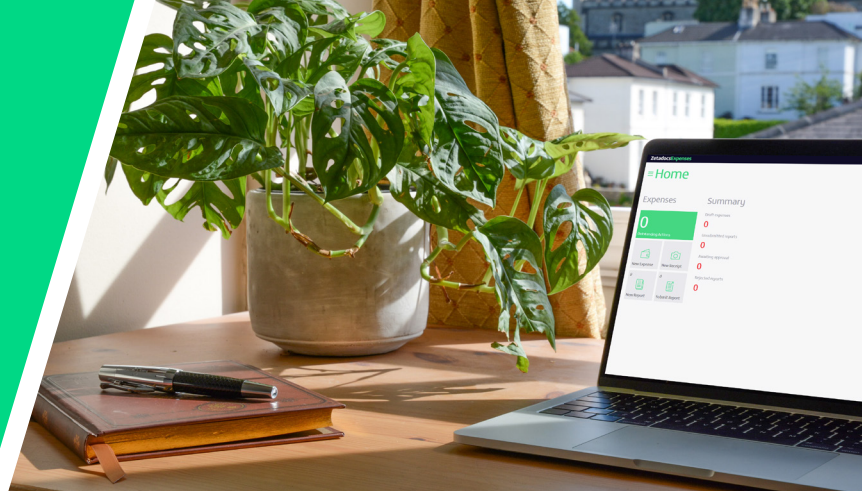
Shifting expenses to the cloud has never been simpler for Business Central customers. As Zetadocs Expenses is a cloud-based expenses system, it is simple to connect to, reliable and safe to access when travelling. This also means customers will always have the latest version as this updates itself as soon as there is a new release.

As we can see from the increase in of usage and users, Zetadocs Expenses has enabled digital transformation in businesses during a time of uncertainty. Moving away from a manual system that relies on in-person interactions and paper receipts, to an online system where it is easy to keep a trail on expenses, allows Business Central customers to adapt in the increasingly digital world.

If you're ready to future-proof your expense management system, get in touch today.

Cloud-based expenses at a glance

Better control of travel and entertainment expenses to help improve profitability

Faster reconciliation of corporate credit card accounts

Easier tax compliance and recovery on expenses and business mileage

Mobile apps for users to submit and approve anywhere, anytime on phones, tablets and PCs

Receipt OCR to extract data using Microsoft Azure Cognitive Services

No rekeying into Microsoft Dynamics® 365 Business Central or Microsoft Dynamics NAV to save time and reduce errors

Set policies to put your finance team back in control of expenditure

Reporting insights that allow you to see who incurred what expenses and how, helping you to control spend

Get set up fast and stay up to date with a cloud service that's managed for you

About Equisys

Equisys provides document management and expense management solutions for Microsoft Dynamics 365 Business Central and Dynamics NAV customers.

Our Zetadocs suite of add-ons helps you streamline business processes, freeing you from manual processes and improving the way your business operates.

We also produce fax software for PCs and web-based project management software.

For more information on Zetadocs Expenses or moving your expenses to the cloud, please visit zetadocs.com/expenses or contact our expert team today.