



soldo



A brighter future: better spend controls key to pandemic recovery

Businesses across Europe are losing €347 billion to outdated expense processes each year. Here's what you can do about it.

About the research

Soldo commissioned Coleman Parkes Research, **a b2b research agency that specialises in IT and Tech surveys**, to conduct a highly targeted quantitative research study on the state of the finance function and the drive towards digital transformation.

The research took place in November 2020 with 950 senior finance decision makers of SMEs from a broad range of sectors, including owner/manager and finance directors. The survey examined four key areas:

- **Managing and controlling spend across their organisations, particularly in the context of the pandemic**
- **The impact of remote working on day-to-day finance processes**
- **Feeling about the quality of financial information at their disposal and their ability to use it to make investment decisions**
- **Supporting the business strategically, given the amount of time individuals in the finance team have to spend on admin tasks**

Unless otherwise stated, all statistics and figures within this report refer to Europe as a whole, which includes the UK.

The logo for Soldo, featuring the word "soldo" in a bold, lowercase, sans-serif font. The letters are white with a vibrant, multi-colored glow effect behind them, transitioning from purple on the left to blue, green, and yellow on the right.The logo for Coleman Parkes Research. It consists of the words "COLEMAN" and "PARKES" in a bold, uppercase, sans-serif font, separated by a large, stylized yellow checkmark. Below "PARKES" is the word "RESEARCH" in a smaller, uppercase, sans-serif font.

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Illuminating a way out of the pandemic

Introduction

FROM CARLO GUALANDRI,
FOUNDER AND CEO OF SOLDO

Working with businesses across Europe, we're able to witness first-hand the challenges and opportunities organisations face. Finance leaders and business owners are dealing with the seemingly conflicting priorities of having to reduce the cost of operations, while at the same time enabling the business to adapt to new operational models and new internal processes, fit for purpose in a post COVID-19 economy.

Despite this, a lack of means to manage spending results in businesses losing 2% of revenue each year due to poor spending controls. Not surprisingly, 88% report that they lack full confidence in their ability to invest in future growth, citing overspending and cashflow problems.

'Adapting to a turbulent economic environment caused by COVID-19 and preparing for a return to growth will require finance leaders and business owners to tackle their approach to managing business spending.'

This report will show how finance leaders and business owners who have embraced digital spending controls are best able to protect revenues and have confidence in the future. Whether it is a finance director who has implemented a digital spend solution, or a business owner who has staff using smart payment cards, these professionals have access to real-time information and are better positioned to invest for growth. Not surprisingly, our data also shows that businesses like these were more successful in pivoting during the pandemic and are now forecasting a more rapid recovery.

On the other hand, those leaders that have been slow to digitise their finance processes will be the ones that suffer another year of wasted revenues due to poor spending controls and not having proper visibility over their business spending. As a result, they will be poorly placed to face the dual challenge in 2021 of accelerating growth and reducing the cost of operations.

In 2021, getting a grip on business spending moves beyond simply controlling expenses to managing company spend holistically. The research that forms the foundation of this report shines a light on how chaotic spending processes lead to:



- **Overspending**
- **Unclaimed VAT**
- **Lost revenue**

Throughout, the data will underline that now is the time to digitise the way finance manages spending to unlock more cash to fund growth.

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**Weak spending
controls are costing
European economies
billions**

Chapter 1

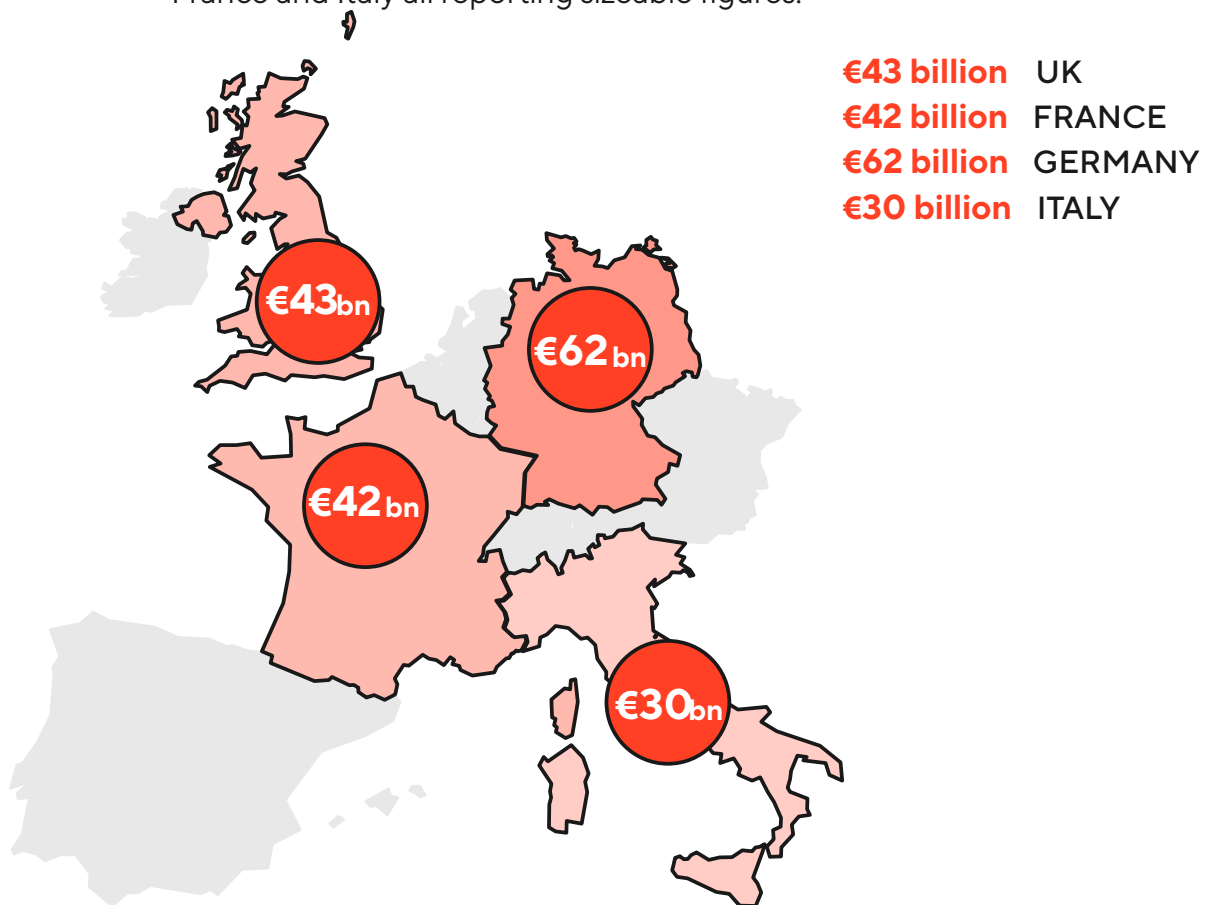
Chapter 1

Business owners and finance leaders know that wherever there is expenditure, there is inevitably going to be a level of inefficiency and waste. This is part of the reason why expenditure contracts when the economic conditions are challenging.

This study shows that business spending was cut massively during the pandemic (see chapter 3) and many of today's leaders will have seen similar retrenchments after the credit crunch in 2008 and the dotcom crash in 2001.

The research has shown that, on average, European finance leaders estimate the scale of losses as a result of poor spending controls to be 2% of their annual revenues. Whether it's a publicly traded company leaking billions or a small business losing €50,000, weak spending controls could be the difference between an annual profit and business failure.

Soldo estimates that weak spending controls are costing European businesses around €347bn¹ a year, with organisations in Germany, UK, France and Italy all reporting sizeable figures:

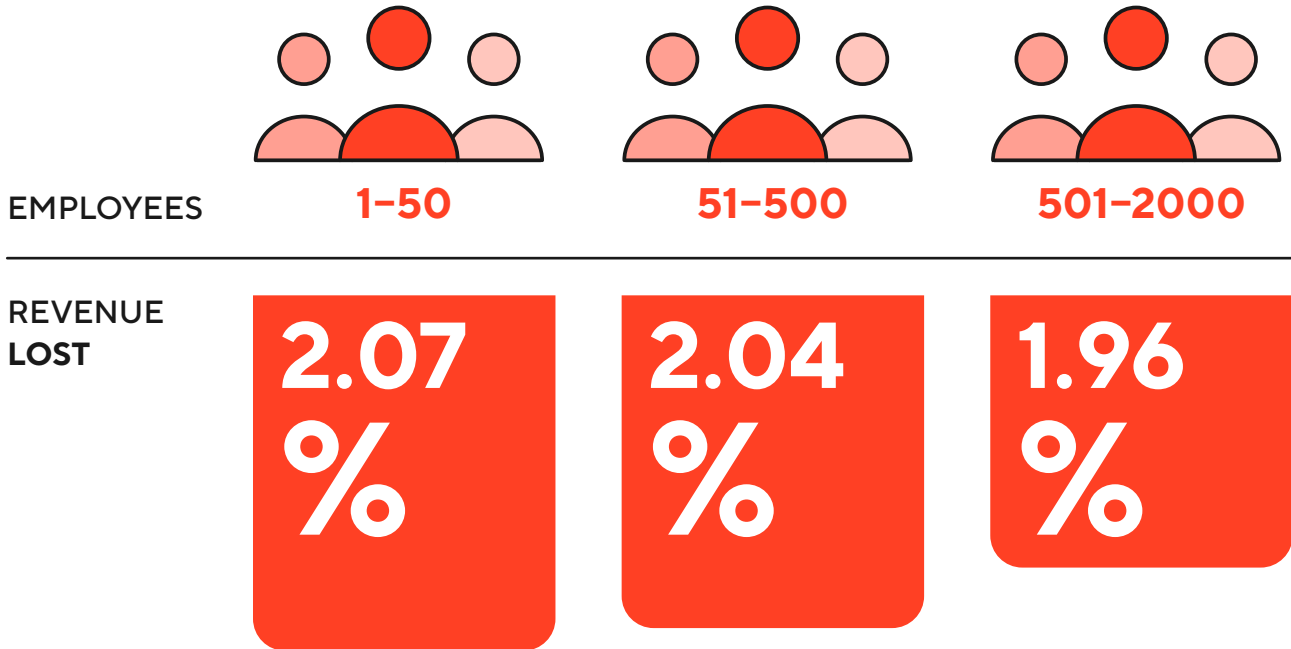


1 – To calculate the macro impact of poor spending controls, Coleman Parkes identified through this research the baseline revenue loss of 2% across all markets surveyed, and applied this calculation to the GDP of each market (and Europe as a whole) to establish the total economic impact of poor spending controls in business

Wasted revenues act as a drag on all businesses, but the data shows that smaller business are disproportionately affected:

GROWING PAINS

% Revenues lost by business size



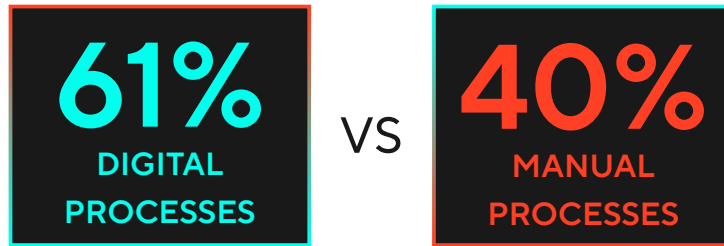
It may seem a reasonable assumption that sectors with an obviously high external cost base (for example, retail or transport and logistics) would have a higher percentage of lost annual revenue. This study has gone some way to disproving this assumption, with all sectors within 0.3% of the 2% average:

- 2.29%** Transportation and Logistics
- 2.27%** Management Consulting
- 2.09%** IT Consultants
- 2.04%** Financial Services (incl. insurance)
- 1.99%** Retail
- 1.96%** IT/Enterprise Tech
- 1.95%** Other (incl. hospitality)
- 1.87%** Media and Production
- 1.84%** Not for Profit
- 1.82%** Advertising/Marketing Agencies

CLOUD CLEARANCE

Businesses that have already started digitising business spend management - by investing in cloud accounting or smart payments - are more likely to rate those spending processes as effective:

CLOUD ACCOUNTING
/ SMART PAYMENTS



The good news is that nearly all (94%) the business owners and finance leaders that took part in this research recognised that how they manage spending impacts the bottom line. However, one of the starkest facts uncovered is that only 13% of finance teams would deem their spending controls 'very effective'. Business leaders and finance professionals know that more needs to be done.

When asked to unpick the issues, respondents didn't cite one obvious challenge, but pointed to a series of recurring issues:

- 56%** Centralised spending causing bottlenecks
- 52%** Inability to set different rules for payments
- 52%** Too much paperwork
- 48%** Poor visibility and no real-time visibility
- 45%** Trying to satisfy different needs across the company
- 38%** Unplanned spending
- 38%** Lack of control over spending
- 37%** Too many credit cards/transaction methods

The report has already shown that the main consequence of poor spending controls is primarily financial. Four in 10 finance professionals say that weak controls inevitably lead to overspending. There are a range of other impacts, however, from causing internal conflict within a business, to acting as a drag on competitiveness in the market and possibly even affecting the viability of a business:

- 41%** Overspending
- 39%** Time being wasted
- 29%** Duplication of costs
- 25%** Falling behind the competition
- 24%** Working capital is negatively impacted
- 24%** Cross-departmental conflicts
- 22%** Ineffective decision making
- 20%** Cashflow challenges

Another huge area of wastage around spending is Value Added Tax. Across the four key markets Soldo analysed, the researchers calculated that over €38 billion each year is lost by businesses in unclaimed VAT. Of this total, €7.7 billion was lost for no other reason than errors in the way receipts were processed.

'Business owners and finance leaders say that around 8% of VAT is left unclaimed by their firm each year and that a fifth of this is solely because of processing errors.'

| THE GREAT RECEIPT HUNT | |
|--|----------|
| Average annual revenue lost due to receipt processing errors: | |
| UK | €290,795 |
| Germany | €243,167 |
| Italy | €295,658 |
| France | €192,500 |
| | |
| Average annual revenue lost due to receipt processing errors in small businesses (1 – 50 employees): | |
| UK | €12,986 |
| Germany | €11,498 |
| Italy | €14,078 |
| France | €9,166 |

This level of waste would be unacceptable during an economic boom. During a pandemic and the resultant economic contraction, it is **verging on reckless**.



One of the most disturbing things discovered through the research is the fact that nearly half of all the firms spoken to said that their working capital is so low that lost VAT receipts could threaten the stability of their business.

Nothing could better underline why leaders need to be doing more to minimise VAT related waste.

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Overspending and cashflow problems biggest barriers to investing for growth

Chapter 2

Chapter 2

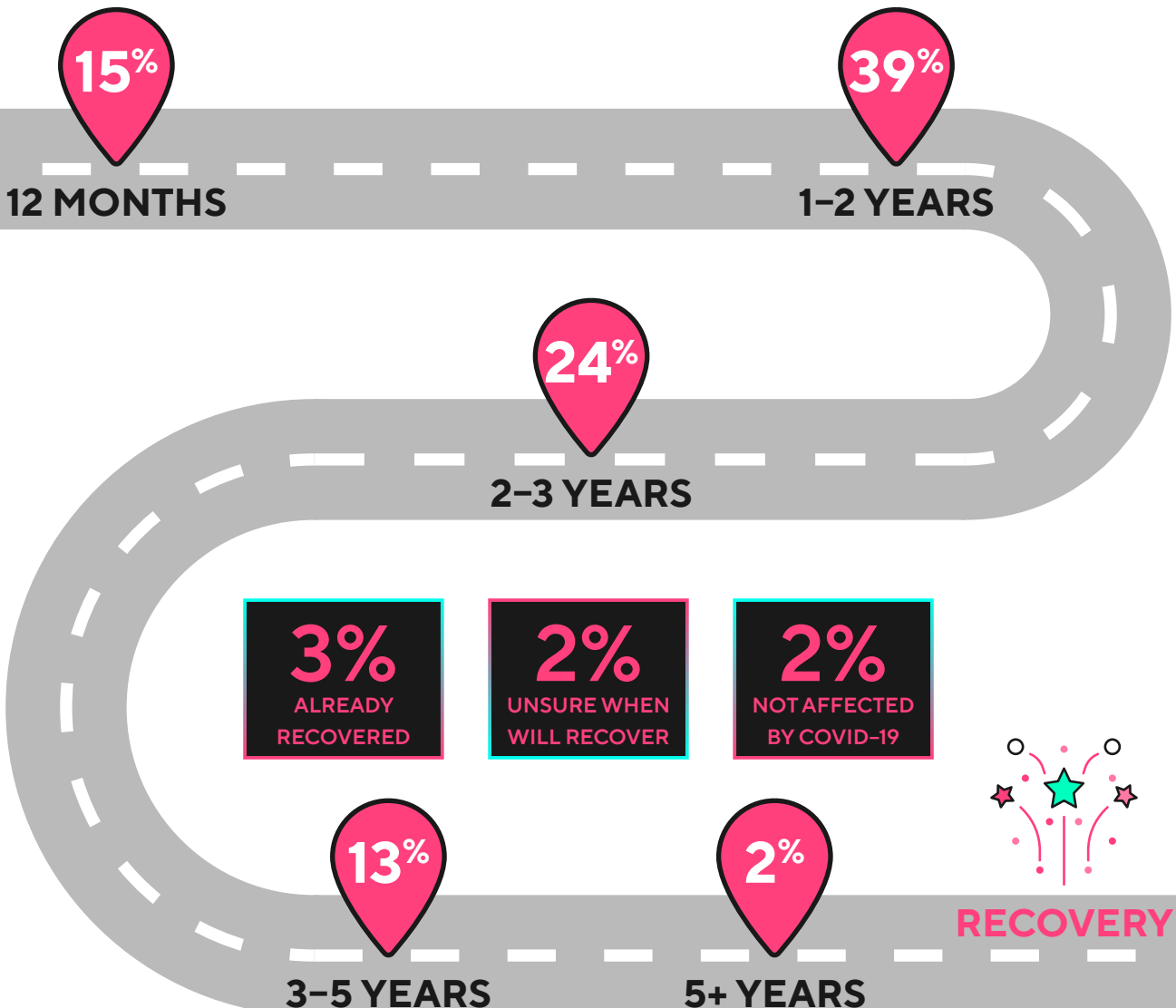
The economic impact of the past 12 months continues to surprise. Previously unimaginable shutdowns pushed economic activity to new lows. After the initial shock, however, perhaps the biggest surprise has been how fears of systemic meltdown remain unfulfilled – with some sectors already returning to growth.

But bouncing back from the economic shock of the pandemic and the long-term impact of Brexit will be no straightforward step.

That harsh reality will be felt by finance leaders across the UK as they flirt with differing optimism and confidence on their path to recovery:

A LONG ROAD TO RECOVERY – PART 1

BUSINESSES EXPECTED TO RECOVER IN...



But this mixed feeling of recovery does not tell the full picture. Smaller businesses are on average expecting a marginally longer recovery period compared to larger businesses:

A LONG ROAD TO RECOVERY – PART 2

BUSINESSES EXPECTED TO RECOVER IN...

1-50
EMPLOYEES



51-500
EMPLOYEES



501-2000
EMPLOYEES



RECOVERY

A more complete picture starts to emerge when examining the vertical / industry analysis. Industries that have rallied and been able to pivot amid a restriction on 'normal business' understandably feel that they can recover fastest, investing and flourishing as they look to post-crisis recovery.

CAUTION MIXED WITH OPTIMISM AS BUSINESS STEPS TOWARDS RECOVERY

When do you expect your business to fully recover to pre-COVID-19 times?

YEARS

- 1.83** Retail
- 1.87** Management Consultants
- 1.88** IT / Enterprise Tech.
- 2.00** Advertising / Marketing agencies
- 2.06** Other (incl. hospitality)
- 2.08** Financial Services
- 2.18** IT Consultants
- 2.22** Transport and Logistics
- 2.54** Not for Profit

When crises hit, organisations always lean heavily on their finance teams to find ways to reduce costs, streamline operations, and plot a roadmap to recovery. But as businesses observed the imposition of nationwide lockdowns and restrictions, it was near impossible to predict the speed, scale, and severity of impact the pandemic would have.

Naturally, that led to finance leaders and business owners making cut-throat decisions on where they could strip out costs. In the UK, the data shows an average cut in spending of 14% – equating to removing €133 billion from the UK economy, no doubt playing a contributing factor to the 10% drop in GDP seen in 2020. Where that cost was removed from is the most telling:

Since the pandemic, business spending has fallen in the following areas:



- 32%** in stock/inventory
- 29%** in contractors
- 28%** in staff costs
- 26%** talent acquisition
- 25%** in lead generation

When the research examined the impact across sectors, the continued pattern in those businesses that felt they had to safeguard themselves for the future and move decisively is clear.

CUTTING COSTS: WHICH SECTORS ACTED SWIFTLY

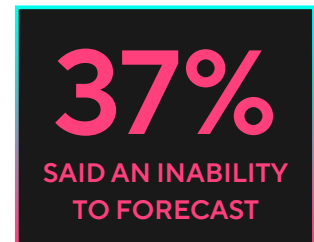
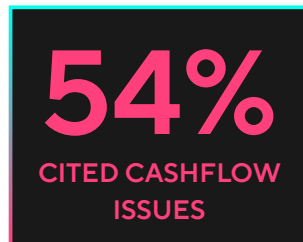
Reductions in business spending by sector:



- 18%** Other (incl. hospitality)
- 15%** IT Consultants
- 14%** Management Consultants
- 14%** Retail
- 14%** Not for Profit
- 13%** Transport and Logistics
- 13%** Financial Services (incl. insurance)
- 13%** Media and Production
- 12%** IT and Enterprise tech
- 11%** Advertising/Marketing agencies

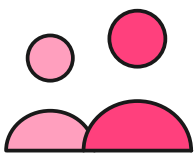
As the research also shows, a consensus is emerging among finance leaders that, as market conditions show signs of improvement, there is no better time to invest to catalyse recovery. 60% of businesses that the researchers spoke to said that, during the pandemic, they had to cut costs but now need to invest to speed up recovery.

Yet despite the fact that finance leaders realise the need for investment, 88% do not feel completely confident in their companies' ability to invest for the future. When pressed further on why this was the case:



'One of the most revealing findings from the research was the reality of how finance teams were operating. Incredibly, almost one in two business leaders (49%) said they were unsure of current levels of working capital.'

With business leaders looking to their finance teams for solutions to colossal challenges, that task has become even harder, as they are left in the dark on the true health of the business. It is a mighty responsibility, given the amount of uncertainty.



ALMOST
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These findings also demonstrate why real-time visibility over financial outflows has become so important. Having a more holistic view of working capital, however, can provide a better handle on spend management, optimising costs, and overall efficiency. This will help avoid risks that can set businesses back and help them accelerate their own recovery path.

While monitoring the overall macro landscape remains important, business owners and finance leaders should not underestimate the importance of businesses measuring, interpreting, and exploiting the dynamics of their own sectors and markets in order to be able to invest and flourish during the recovery and the post-crisis period.

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Embracing digital spend solutions results in less waste and quicker recovery

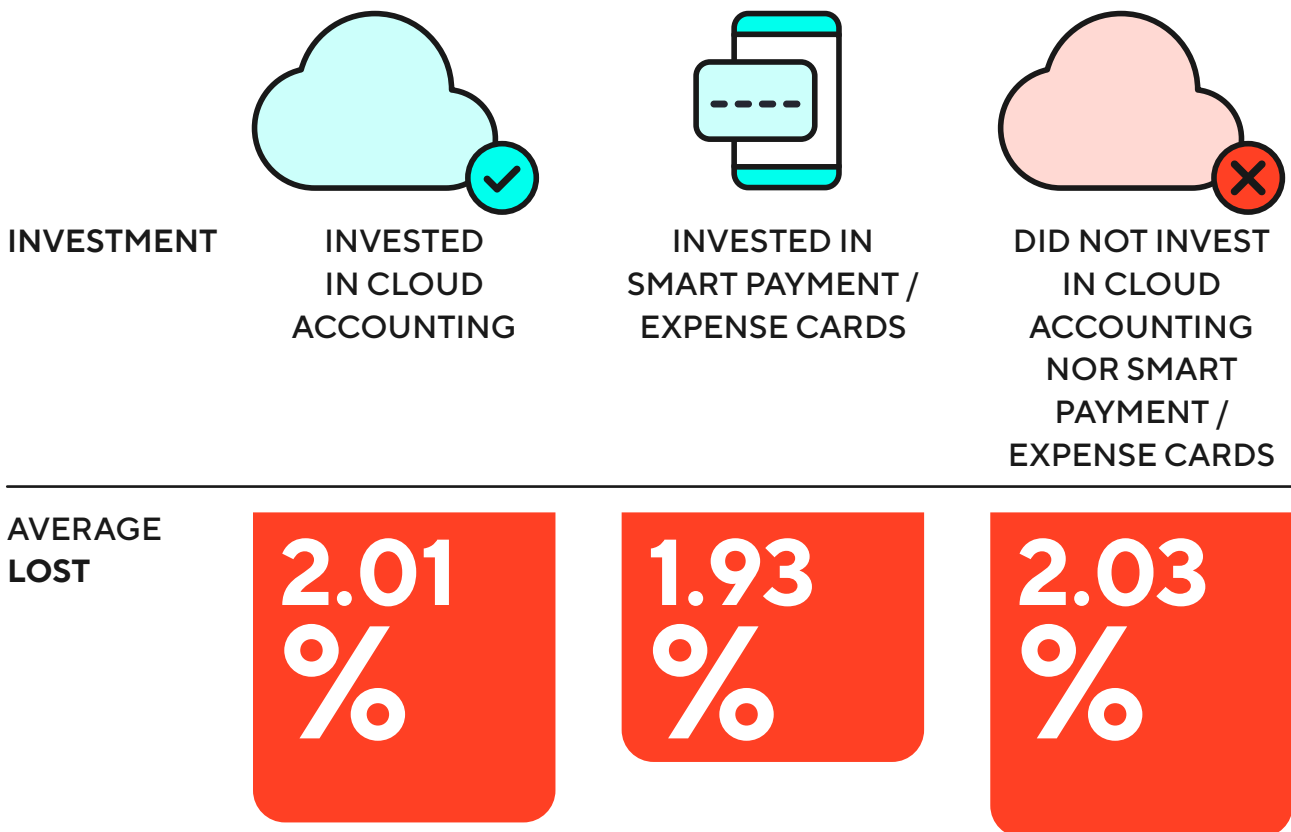
Chapter 3

Chapter 3

This report has shown that weak spending controls are a multi-billion-pound problem across European economies. The previous chapter explored how this could be perilous for companies and how problems related to spending controls can impact growth and investment. In this section, the data will show how the adoption of financial technology is a potential solution that empowers businesses.

The report explored in Chapter 1 how finance leaders that have adopted cloud accounting and/or smart payment cards rate their business spending processes as more effective than their peers who have not adopted such innovations.

The research shows that this is not just a matter of opinion. When businesses were asked to estimate the amount of lost revenue due to lack of spending controls, there is a small but noticeable correlation with tech adoption.



While these may seem like marginal differences, in an average-sized European company, each 0.1% accounts for €257,885 in revenue.

Furthermore, technological adoption empowers business leaders in other ways. Armed with better data and real-time information around spending, tech-enabled businesses are much more confident in their ability to invest for future growth.

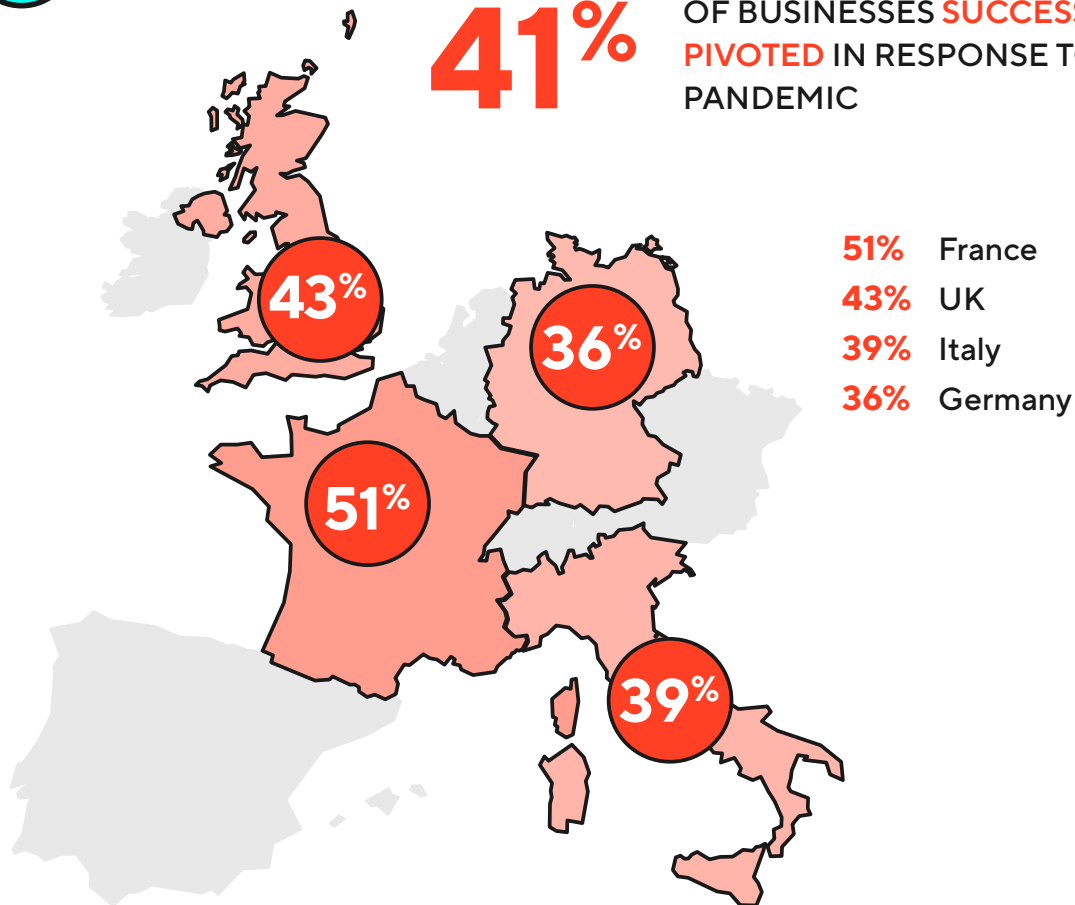
The pandemic has underlined the importance of leaders being able to pivot their strategy. This means analysing spend in real time and adjusting investment decisions. Nine in 10 of the finance leaders the researchers spoke to said they attempted to pivot in response to the pandemic. Only four in 10 were able to implement these changes in business strategy, with half of businesses (49%) having to cancel plans or put them on hold. Only one in 10 businesses did not attempt to pivot at all.



PANDEMIC PIVOTS

41%

OF BUSINESSES **SUCCESSFULLY PIVOTED** IN RESPONSE TO THE PANDEMIC



PIVOT SPEED

- 40%** quicker than expected
- 56%** about the speed expected
- 4%** slower than expected

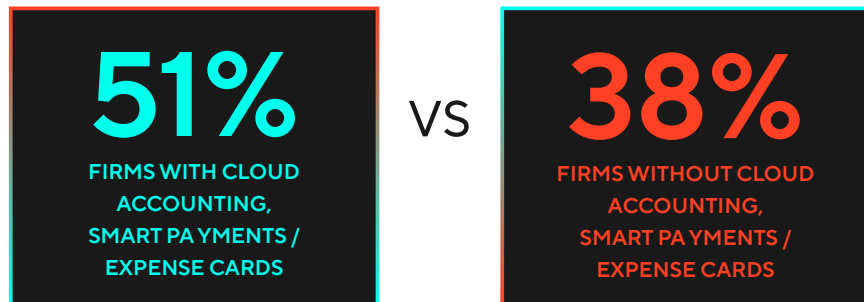


The data shows a positive correlation between those leaders who have invested in financial technology and those that feel empowered to invest to achieve the future security of the business. In fact, leaders who have implemented innovations such as smart payments and/or cloud accounting are around 50% more confident to invest than those businesses that have not adopted such technologies.

The data shows that nine out of 10 companies wanted to make pandemic related pivots, but only four in 10 were actually able to implement them. In line with our findings on investment confidence, companies who had adopted digital payment and expense solutions were much more likely to have been able to successfully implement pandemic pivots.



SUCCESSFUL PANDEMIC PIVOTS



The ability to make decisive investment decisions and successfully implement rapid changes to business strategy has very real consequences. Our study shows that those leaders that have already started to invest in cloud accounting or smart payment/expense cards are more likely to report already having recovered from the economic shock of the pandemic.

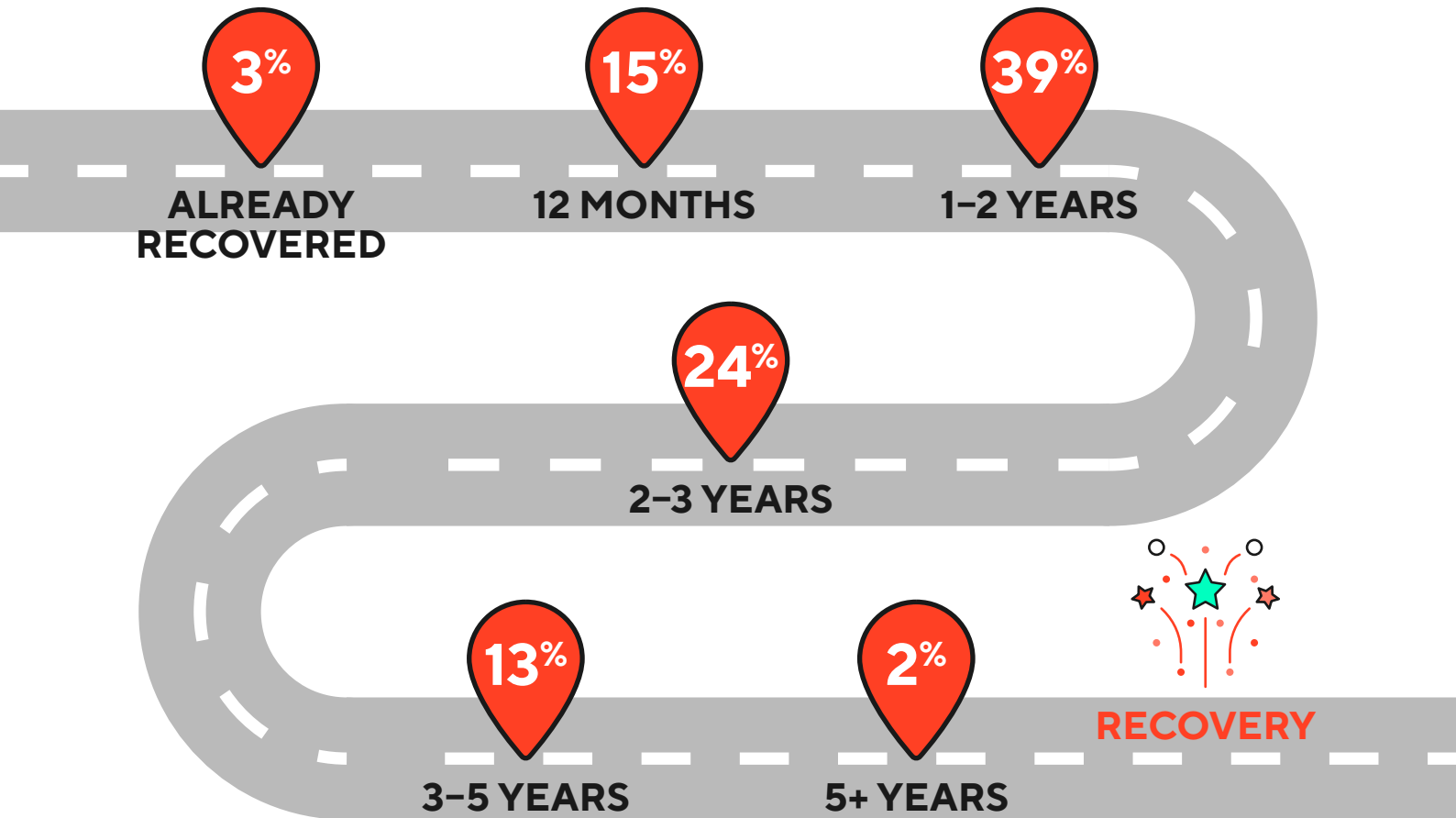
RAPID RECOVERY

'Our business has already recovered from the pandemic.'



Furthermore, those that have not recovered are actually forecasting a quicker recovery time (1.87 years) if they have adopted financial technologies than those that haven't (2.11 years). This is no coincidence.

THE ROAD TO RECOVERY



The view here at Soldo is that, in an ever more interconnected world – one that looks for digital-first solutions – agility will be essential. Moving forward, it will not be about big business vs small business. It will not even be about disruptors against incumbents. What will matter is the ability to be fast, to react quicker than the competition, to make decisions quickly and implement them rapidly.

Having the right financial technologies that provide information to decision makers in real time is more essential than ever. Once these decisions have been taken, finance teams then need to enable and manage the resulting business spending, but in a way that liberates peers and colleagues rather than stifling them. Finance should be enabling the business to deliver quickly and decisively, not acting as a policeman or barrier to productive activity.

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**Bringing businesses
into the light requires
more informed
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Conclusion

Conclusion

Throughout this study the data has shown the challenges that finance leaders and business owners are facing as they look to move their organisation from reaction to recovery mode. The research has shown the importance of a business being fast and agile in order to recover successfully.

Business owners and finance professionals seem to understand the issues, but now is the time to implement solutions that enable rhetoric to become action.

Tech-enabled leaders can enable more agile, more responsive businesses. Something the companies the researchers spoke to were only too aware of as they looked to identify the issues that are holding businesses back. This is particularly important when you consider that senior finance staff are currently spending half (51%) of their time on administrative tasks that could be digitised. For them to be able to pivot/respond quicker to uncertainty they need to be freed from these manual based tasks, and spend their time on more strategic tasks.

50% of respondents wanted to turn to digital tools to help them quickly identify causes/reasons for overspending

43% felt that digitising process would enable them to have real-time visibility on spending

42% would like to completely digitise the expense claim handling process.

While the recognition is there, leaders can ill-afford to think of digitisation as a long-term process that slowly moves the organisation up the digital agenda.

For many leaders, they've already done the hard yards – embracing cloud-based accounting software, for example. Now it's time to reap the rewards. Optimising processes, like those that Soldo supports, are the easy bits. They can be implemented at speed, and crucially are designed to integrate with the existing infrastructure. It doesn't need a complete overhaul of existing processes.

Whether it's helping to reclaim each company's share of the €38 billion lost each year in unclaimed VAT receipts, or the lost hours finance departments spend chasing teams on expense administration, the business value digitisation brings cannot be ignored. Those that are still managing their books with paper-based ledgers are at best slow, reckless, and losing control. They won't be the organisations you'll be hearing much from in the future.

It explains why, throughout the study, the figures demonstrate that those that have invested in technology are more likely to report already having recovered from the economic shock of the pandemic.

As European economies slowly emerge from lockdown, and tackle a business climate that includes Brexit, high unemployment and shaky consumer confidence, finance and business leaders can't approach digitisation as a 'nice to have'. It's part of the now.

With more efficient process, greater control and complete visibility of spending, finance leaders can accomplish the twin priorities of funding growth while reducing the cost of operations.

Soldo combines smart prepaid company cards with a comprehensive management platform, integrating seamlessly to leading accounting systems. For finance leaders, the result is a real-time view and complete control over business spending.

Digitise financial admin and free up staff to focus on more valuable tasks. Set up an account in as little as one day and use cards immediately. With Soldo, finance leaders can finally be confident that spending is under control, so they can focus on delivering a brighter future for their business.

Learn more at [Soldo.com](https://soldo.com)

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