

A Forrester Total Economic Impact™
Study Commissioned By Expensify
August 2017

The Total Economic Impact™ Of The Expensify Expense Management Platform

Cost Savings And Business Benefits
Enabled By Expensify

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Benefits And Results



BPO firm to transition 80% of clients to Expensify, over the next couple years



50% increased IT productivity and efficiency, related to expense management activities



50% reduction in expense reporting time, as reported by BPO firm's client

Executive Summary

Expensify provides an effective expense reporting and expense report management platform that helps its customers increase efficiency and reduce challenges associated with legacy expense reporting solutions. Expensify commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Expensify. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Expensify on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed a business process outsourcing (BPO) firm that has become a preferred partner for Expensify and has years of experience using Expensify. The interviewed firm is one of the five largest BPO firms worldwide and has three main revenue streams: audit, tax, and advisory (business services and outsourcing). In addition to implementing Expensify, the BPO partner has transitioned 10% of its clients onto Expensify; it has been so successful that the BPO partner is now planning on transitioning 80% of its clients onto Expensify over the next couple years.

Prior to using Expensify, the BPO partner's clients had a manual system in place for expense reporting (e.g., spreadsheets). Implementing Expensify resulted in significant benefits for both the BPO's clients and the BPO firm itself.

Key Findings

Unquantified benefits for the partnered BPO firm. The BPO firm experienced the following benefits that were not quantified for this study due to lack of data. However, tracking the appropriate metrics would allow quantification of these benefits:

- › **Increased employee experience and satisfaction.** Expense reporting became less of a burden to employees. This, coupled with the simple-to-use and intuitive interface for Expensify, resulted in an overall increase in the employee experience and employee satisfaction.
- › **Reduced reconciliation time and increased satisfaction for clients who use Expensify.** As the revenue streams for the BPO partner include audit, tax, and advisory services, the BPO saw an additional benefit if its clients were using Expensify as well. This played a large role in reducing the "back and forth" with its clients when reconciling expense reports and increased overall client satisfaction by removing the tedious process of finding receipts, ensuring all expenses were properly entered, etc. Expensify simplified the required back office reconciliation effort and resulted in a better overall system for both the BPO firm and its clients.

Benefits and costs for an example client of the partnered accounting firm. The BPO partner provided an example client (20-person small business) that has transitioned to Expensify. The example client experienced the following benefits and costs associated with Expensify:

- › **Time savings of 50% by implementing Expensify.** The average expense report took 30 minutes to create and approve. Implementing Expensify reduced that time by 50%.

Financial Analysis Of Expensify
For The Example Client
(20-Person Small Business)



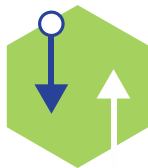
ROI
598%



Benefits PV
\$44,192



NPV
\$37,859

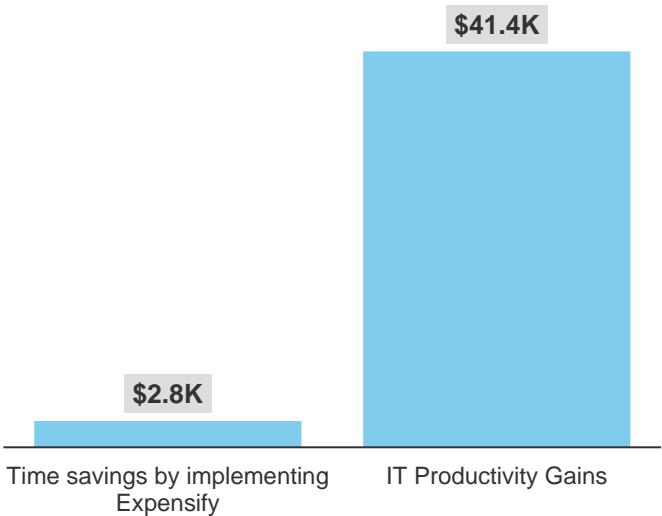


Payback
< 1 year

- › **IT productivity gains of 50% by implementing Expensify.** An IT professional spent 30% of their time managing the back end of their previous expense reporting system. Implementing Expensify reduced that required time by 50%.
- › **License costs.** The license costs for Expensify are calculated on a per month basis for each active user.
- › **Implementation costs.** Expensify was rolled out in a matter of hours, as the BPO firm's client was banking with a major financial institution.

Forrester's interview with the BPO firm and subsequent financial analysis found that the example client experienced benefits of \$44,192 over three years versus costs of \$6,332, adding up to a net present value (NPV) of \$37,859 and an ROI of 598%.

Total Three-Year Benefits



The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TEI Framework And Methodology

From the information provided in the interview, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Expensify.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Expensify can have on an organization:



DUE DILIGENCE

Interviewed Expensify stakeholders and Forrester analysts to gather data relative to Expensify.



CUSTOMER INTERVIEW

Interviewed one organization using Expensify to obtain data with respect to costs, benefits, and risks.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interview using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed organization.



CASE STUDY

Employed four fundamental elements of TEI in modeling Expensify's impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Expensify and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Expensify.

Expensify reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Expensify provided the customer name for the interview but did not participate in the interview.

The Expensify Customer Journey

BEFORE AND AFTER THE EXPENSIFY INVESTMENT

BPO Firm And Example Client

For this study, Forrester conducted an interview with a BPO firm to illustrate the benefits of implementing Expensify:

- › Multinational accounting firm with \$1 billion in public revenue.
- › Six thousand employees with 150-plus business service staff responsible for reconciling expense reports with clients.

The BPO firm has clients ranging from small and medium-sized businesses (SMBs) to large enterprises. The BPO firm detailed a 20-person small business example client that has transitioned to Expensify's expense management platform.

Key Challenges

- › **Many of the BPO firm's clients still used manual tools and processes for expense reporting.** Internal reconciliation required a significant time and resource investment. Back office reconciliation was made very difficult given the manual nature of expense reporting (e.g., spreadsheets).

Key Results

Key results from the Expensify investment include:

- › **Increased employee experience and satisfaction.** Expense reporting became less of a burden to employees. This, coupled with the simple-to-use and intuitive interface for Expensify, resulted in an overall increase in the employee experience and employee satisfaction.
- › **Reduced reconciliation time and increased satisfaction for clients who use Expensify.** As the revenue streams for the BPO partner include audit, tax, and advisory services, the BPO saw an additional benefit if its clients were using Expensify as well. This played a large role in reducing the "back and forth" with its clients when reconciling expense reports and increased overall client satisfaction by removing the tedious process of finding receipts, ensuring all expenses were properly entered, etc. Expensify simplified the required back office reconciliation effort and resulted in a better overall system for both the BPO firm and its clients.
- › **Time savings and IT productivity gains for clients who use Expensify.** This is a result of reduced time spent on expense reporting for logging expenses, the approval process, reconciliation, and reporting.



BPO Firm:

- 6000 employees
- 150+ business service staff
- Clients ranging from SMBs to large enterprises

"Expensify differentiates itself on simplicity, mobility, administrative, and audit time savings, and delivers a great user experience."

*Managing director,
BPO firm*



Financial Analysis Of BPO Firm Example Client

QUANTIFIED BENEFIT AND COST DATA

Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Time savings and IT productivity gains	\$17,280	\$17,798	\$18,332	\$53,411	\$44,192

Benefits To Implementing Expensify

The BPO firm indicated that a key benefit for the example client's investment in Expensify was the time savings that their employees experienced from creating, submitting, and managing their expense reports. Prior to Expensify, employees had to manually keep track of their receipts, fill out expense reports by line item, and then scan and submit expense reports for approval. On average, this took employees about 30 minutes per expense report, with each employee creating an expense report once every two months. With Expensify and its easy-to-use interface, organization capabilities, and mobility features, the example client was able to reduce the amount of time to create, submit, and approve an expense report by 50%.

Additionally, prior to Expensify, the example client reported that an estimated 0.3 full-time equivalents (FTEs) worth of IT support time was required to manage and maintain its expense management system. This included managing any issues, bug fixes, and upgrades that were required. In addition, IT spent time configuring and integrating the expense management solution with other internal systems and corporate card platforms. The example client realized an estimated reduced IT resource time of 50% by implementing Expensify.

After adjusting for risk, these benefits combine to result in a three-year total benefits PV of \$44,192.

Flexibility

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement Expensify and later realize additional uses and business opportunities.

With Expensify, organizations can quickly add and scale users as required. Additionally, its ease of use and compatibility with systems provide flexibility for organizations that may change their policies, corporate card providers, and internal systems that need to link with their expense management solution.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

The table above shows the total of all benefits across the areas listed below, as well as the present value (PV) discounted at 10%. Over three years, the example client expects risk-adjusted total benefits to have a PV of \$44,192.

"Expensify's customer service is fantastic — we give it two thumbs up. They have chat built into their system that is very responsive."

*Managing director,
BPO firm*



Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so.

Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Btr	License and implementation costs	\$692	\$2,268	\$2,268	\$2,268	\$7,496	\$6,332

Costs Associated With Expensify

Software licensing fees for Expensify were incurred monthly for the example client at a rate of \$9 for each active user.

Implementing Expensify can be a very simple process. As the example client was already banking with a major financial institution, the platform was rolled out in a matter of hours.

After adjusting for risk, these costs combine to result in a three-year total costs PV of \$6,332.

The table above shows the total of all costs across the areas listed below, as well as the present value (PV) discounted at 10%. Over three years, the example client expects risk-adjusted total costs to have a PV of \$6,332.

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.

Expensify: Overview

The following information is provided by Expensify. Forrester has not validated any claims and does not endorse Expensify or its offerings.



One-click receipt tracking and expense management

From receipt scanning to reimbursement, Expensify automates every step of the expense management process. Designed with both accountants and end users in mind, Expensify offers an easy-to-use mobile app for employees to track receipts on the go, as well as robust functionality for the finance team to track, reconcile, and reimburse employee expenses.

How it works

Expensify's user-friendly mobile app makes it easy for employees to submit expense reports simply by snapping a photo of the receipt as soon as the expense is incurred. Patented SmartScan OCR technology reads the receipt and transcribes relevant information onto an expense report, then merges each expense with the corresponding credit card transaction for automatic reconciliation. Reports can be scheduled to submit daily, weekly, or monthly, making it easy to close the books on time.



One-Click Receipt Scanning

Expense reports are finished with one click. Take a picture of the receipt and Expensify automatically fills out and submits an expense report.



Next-Day Reimbursement

As soon as reports are approved, rapid reimbursement delivers the money right into the employee's bank account within 24 hours via ACH direct deposit.



Automatic Approval Workflows

Customize expense policy rules for your organization and configure Expensify to flag any expenses that actually need a manager's review. The rest — like that \$3 coffee receipt — are automatically approved.



Company Card Reconciliation

Automatically import credit card feeds from personal or corporate cards, and Expensify will match each transaction to its corresponding receipt.



Automatic Accounting Sync

Any changes made in your accounting system are automatically synced with Expensify in realtime for constant visibility into your organization's finances.

Streamline your expense management process with Expensify to save time and take control of your organization's finances. Learn more: use.expensify.com.

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

Total Economic Impact Approach



Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.



Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.



Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.



Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.