

Spend Trends for Aerospace, Defense, & Government Contractors

How to optimize
your spend for
efficiency and
resiliency



As an industry under constant regulatory scrutiny and pressure from disruptive competitors with rapidly advancing technology, aerospace, defense, and government contracting (ADG) organizations need control over employee spend and the ability to make smart, strategic spending decisions. And it all starts with spend visibility. We know the most successful ADG organizations are those that understand their spend well enough to control costs, drive policy compliance, and say “yes” to the right things.

To guide you on this journey, we analyzed the top three spend categories for the ADG industry in 2022. **Explore how these spend categories — and key trends — can help you optimize your financial operations and gain the insights you need to plan for the future.**

Top 3 Spend Categories



27% of Spend Categorized as ‘Airfare’

Due to the nature of this industry’s work, airfare spend soared within the ADG field as business travel continues to regain momentum industry-wide. Between Q1 and Q4, 2022, travel-specific spend increased 178%, based in part on increases in business meetings, conferences, trade shows, and general business travel.¹ And you can expect this increase in travel spend to continue through 2023 and 2024.



25% of Spend Categorized as ‘Lodging’

Visibility into employee hotel bookings, business travel locations and preferred hotel supplier selection is now considered essential data. As travel continues to regain momentum, ADG organizations must be ready to keep their travelers safe — and keep their bottom line healthy. With the right information, you can fulfill both of these obligations.



19% of Spend Categorized as ‘Other’ or ‘Miscellaneous’

When a spend category consists of many different expense types, the opportunity to quickly review and pivot wanes. The shift to remote and hybrid work models and the introduction of new spending categories, such as PPE and home offices, underscored the ongoing need to update spend categories with new expense types that are clear for employees — ensuring reporting is consistent and relevant.



Understanding the top areas of spend for your industry empowers **resiliency** and **change readiness**.

6 Tips to Optimize Spend



Create relevant expense categories

Regular review of your spend categories and the expense types mapped to them will keep your policies relevant and spend visibility clear. If your 'Other' or 'Miscellaneous' expense category is high, dig into what's inside that category and consider adjusting your categories and policies so you consistently know exactly where your organization's dollars are going — and your employees know where to code expenses without confusion.

1



Reel in your tail (maverick) spend

In the past, most organizations regarded tail spend — the low-cost, high-volume indirect expenditures made by a broad range of employees — as something that wasn't worth the effort of managing. But with tail spend accounting for an average 80% of an organization's purchase transactions, today's savviest ADG organizations know this is a missed opportunity for savings. Pay attention in particular to maverick spending — a common type of tail spend — that comes in many forms, such as large purchases made through the improper channel, or an employee not using a preferred supplier. Maverick spending can cost you hard-won savings, risk non-compliance, and weaken your bargaining position with vendors. Be diligent about regularly reminding employees to follow established processes and use preferred vendors. Educate your employees about rogue spending and empower them to make smart purchasing decisions.

2



Re-evaluate your established policies

Over the past few years, it's possible your purchasing policies have been put on the back burner. Take the time now to dust off your purchasing rules and check in with your team. Have honest conversations and consider if your policies are outdated or misunderstood, or if they've perhaps been entirely overlooked. Ask questions if you're seeing an increase in "other" or "miscellaneous" expenses, a tell-tell sign employees aren't sure how to expense purchases. Be proactive about communication to clear up confusion and share refreshed policies and procedures so your employees are always armed with the latest information.

3



Encourage travel program adoption

Create travel policies that make tracking mileage as well as reservation and itinerary management within your SAP Concur solution the simplest way to manage business travel throughout your organization. [Regularly adjust your travel program policies](#) and employee communications to account for the way your teams administer, manage, and allocate budget for travel.



Embrace automation

Whether you want to minimize manual steps, increase budget compliance, or bring stability to cashflow, automation can help you maximize your organization's potential. Consider automating your invoice processes alongside expense and travel management. With a better view of all spend, including unpaid invoices and payments in progress, you can shift your perspective from looking back at what has already been spent to controlling future spend. [Automation increases control and oversight](#), and gives you a clearer picture of where and how your dollars are being spent, empowering you to make more strategic spending decisions..



Use AI to track spend trends

Your purchasing team can only do so much in a day. Harness the power of artificial intelligence (AI) to analyze your spend data. You have so much information at your fingertips, and AI makes it easy to spot patterns and trends across various payment methods — without burdening employees with time-consuming research. With quick insights readily at hand, you can make holistic process changes and even dig into the nitty-gritty details of various transactions.

4

5

6

Ready to optimize employee spend for your organization?

Visit [Concur.com](https://www.concur.com)

Contact Us

About SAP Concur

SAP® Concur® is the world's leading brand for integrated travel, expense, and invoice management. Driven by a relentless pursuit to simplify and automate everyday processes, the solutions guide employees through business trips, move authorized charges directly into expense reports, and automate invoice approvals. By integrating near real-time data and using AI to analyze transactions, businesses can see what they're spending, improve compliance, and avoid possible blind spots in the budget. SAP Concur is imagining a world where travel and expenses practically manage themselves, helping businesses run at their best everyday.

Learn more at concur.com or at the SAP Concur [blog](#).

Sources

1. [Spend Insights Report: How Will Last Year Make 2023 Better?](#) SAP Concur 2023