REPORT
[GLOBAL]

The State of Spending 2023

FORBRUG OG ØKONOMI I 2023
DEN NYE STANDARD FOR VIRKSOMHEDERNES FINANSIELLE BESLUTNINGER

RAPPORT 2023 SUR LES DÉPENSES PROFESSIONNELLES
LA NOUVELLE NORME EN MATIÈRE DE FINANCE D'ENTREPRISE

EL ESTADO DEL GASTO EN LAS EMPRESAS EN 2023
LA NUEVA NORMALIDAD DE LAS FINANZAS EMPRESARIALES

DE STAAT VAN UITGAVEN 2023
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UNTERNEHMEN UND IHR AUSGABEVERHALTEN 2023
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The New Normal of Business Finance

PLEO

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2022 WAS TOUGH—BUT WE HAVE CAUSE TO BE HOPEFUL

Jeppe Rindom,
CEO and Co-Founder, Pleo

It's no secret that we're coming off the back of a tough year. Across the UK and Europe, countries saw a flurry of transformative events – from government changes, to record inflation, rising unemployment, plummeting property prices, industrial action and just a general sense of impending doom. Plus, owing to the cost of living crisis and rising operating costs, some businesses were even forced to cancel Christmas!

20% OF SMES CANCELLED CHRISTMAS BONUSES

21% CALLED OFF OFFICE PARTIES

20% PUT A STOP TO EMPLOYEE CHRISTMAS GIFTS THIS YEAR

Fig. 1

But while it's been a tough year for families and business owners up and down the country, there's a sense of camaraderie as business leaders and companies rally together for what is set to be a period of economic uncertainty.

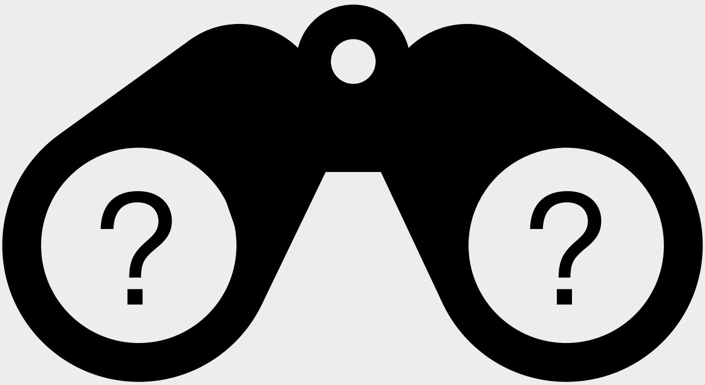
Which is good news because, as gloomy as the 2023 forecast might be, a new year brings with it a big opportunity for businesses to prepare and grow resilient to a number of factors that might otherwise take their toll.

That's because we've been busy at Pleo HQ – speaking to over 3,500 senior decision makers at small to medium-sized businesses across the UK, Spain, France, Germany, Denmark, Sweden and the Netherlands.

The goal? To get a good idea of the state of spending for businesses right now, and explore their frustrations, their hopes, their spending cuts, and what the answer to their spending prayers looks like.

Our hope is that this report will provide you with an overview on how businesses survived 2022, and are planning to do the same in 2023. In a rapidly changing world of spending habits, workplace changes and culture shifts – this is your handy guide to the new normal of business finances.

Chapter 1: An uncertainty-shaped opportunity?



AN UNCERTAINTY-SHAPED OPPORTUNITY?

Fig. 2:
Financial vision is not 20-20

45% SAY THEY CURRENTLY HAVE STRONG VISIBILITY OF FINANCIAL HEALTH AND PERFORMANCE

44% OF BUSINESSES WANT TO GET A BETTER HANDLE ON SPEND MANAGEMENT IN 2023

40% OF BUSINESSES ARE STRUGGLING TO SET 2023 BUDGETS DUE TO A LACK OF CLARITY OVER BUSINESS SPEND DURING 2022

Fig. 3:
What would help drive down costs during this challenging period?

36% SAY BETTER ACCESS TO FINANCIAL TECHNOLOGY AND SOLUTIONS TO IMPROVE EFFICIENCY

36% SAY BETTER ACCESS TO TALENT TO IMPROVE SKILL SET OF THE WORKFORCE

Regardless of whether we enter a technical recession or not in the coming weeks, the economy is sluggish and as a result, the next 12 months will prove difficult. The recession became the boogeyman of 2022, and is set to do the same in 2023, as businesses look to hunker down and get their houses in order before the storm hits again this year.

But, according to businesses across the UK and Europe, far less than half (41%) describe themselves as recession-ready. In fact, looking at individual countries, this figure only went as high as 47% in Sweden, but sunk as low as 34% in Germany. It's clear then that there are some serious issues when it comes to how much of an overview businesses have financially.

With less than half of businesses in the UK and Europe reporting a strong level of visibility over spending, it's no wonder only 41% describe themselves as recession-ready. While visibility and control wasn't much better from country to country, with a high of 52% in Sweden and a low of 37% in Germany.

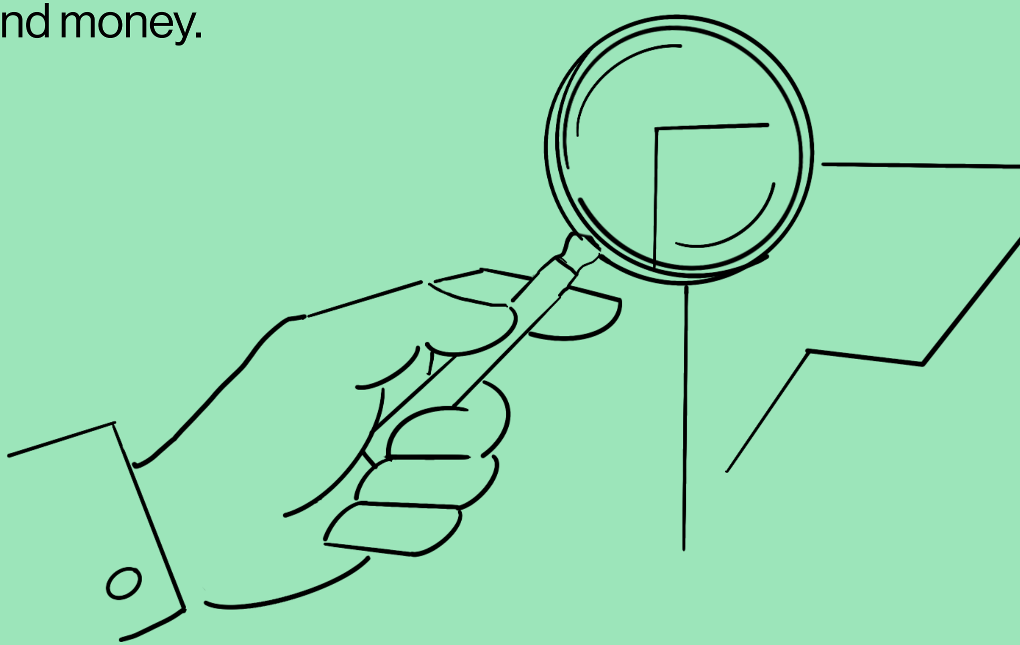
But **places optimistic hat on** herein lies the opportunity. There is potentially a wealth of data and insights on business spending that for one reason or another, isn't being utilised by businesses and failing to deliver value that is sorely needed.

On average, those surveyed in the UK and Europe predicted just over five extra months of trading coming from financial support such as local government initiatives, price caps, tax relief, private loans and cash reserves from owners and investors. Yet when asked how long they see the current economic crisis going on for, most businesses across all countries said a year.

The incentive is then on the businesses themselves to put a system in place to guarantee greater business health, for longer. And, as we've seen, that comes down to better visibility.

Spending visibility is not where it needs to be in 2023 and most businesses are on the lookout for easy-to-use technology solutions that can save them both time and money.

Our P(le)OV



"If businesses are to survive in 2023, then they must change their mindset to think of an impending recession as an opportunity. 44% of businesses across the UK and Europe want to improve spend management in 2023, but this should be much higher. Only then will businesses be able to grow resilient to — not just this current difficult period — but other unforeseen circumstances. When asked what could help efforts to drive down costs, "better access to financial technology and solutions to improve efficiency" was one of the top answers. This is the sort of long-term thinking businesses should be doing, as it will hold the key to not just surviving, but thriving."

JEPPE RINDOM, CEO AND CO-FOUNDER, PLEO

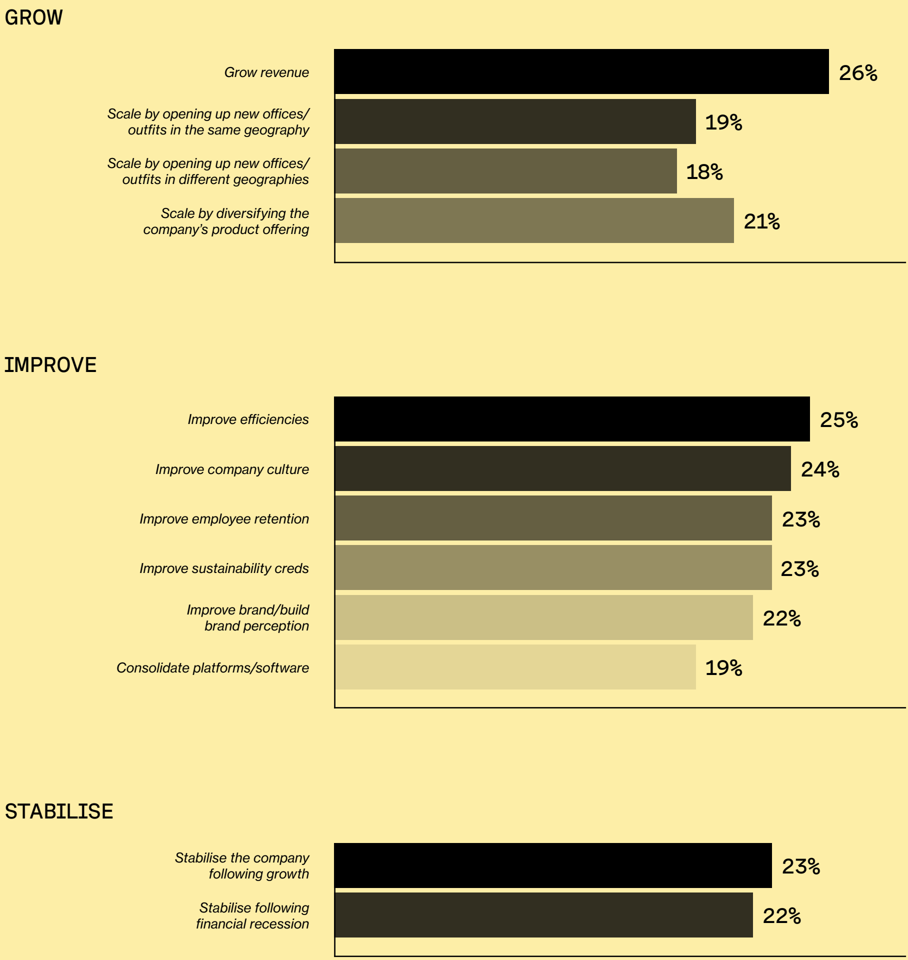
Chapter 2: Spending like your future depends on it

2.

SPENDING LIKE YOUR FUTURE DEPENDS ON IT

Despite a serious lack of recession-readiness, what's on business agendas in 2023?

Fig. 4:
What are business ambitions in 2023?



For the majority of businesses surveyed, the next 12 months paint a fairly optimistic picture. Despite the current business landscape being characterised by survival more than growth, plenty of survey respondents told us they were targeting revenue growth, new offices and new product offerings.

To get there, of course, improvements are needed, with efficiency and working culture being the biggies. A fair amount of stability is needed too – whether the turbulence is coming from growth or the current economic difficulties.

What stands to undermine these efforts is cash flow, inflation and the high cost of goods, materials and services, with these cited as the most likely factors to negatively impact their business in 2023. When it comes to how much, businesses across the UK and Europe are predicting a monthly price hike of just under €5k lasting throughout Q1 2023.

Fig. 5:
What are businesses predicting will be the most negative impacts in 2023?*

21% — CASH FLOW

21% — INFLATION

20% — HIGH COST OF GOODS, MATERIALS AND SERVICES

**When we say most negative impacts, we have defined this as being in the top 3 of respondents' priorities.*

And let's not forget about customers either. Whether in Sweden or Spain, Denmark or France, business is an ecosystem, and for every pain point yours is feeling, chances are that your customers are feeling it too. Because of this, customer and portfolio stability isn't what it was once, and much like the pandemic, there are some concerning views on where customers will cut their spend in the coming months.

Fig. 6:
How have your customers reacted to the current economic crisis?

43% SAY CUSTOMERS ARE WORRIED WITHOUT CUTTING BACK OR TERMINATING SERVICES

39% SAY CUSTOMER BUDGET CUTS HAVE REDUCED SPENDING ON THEIR SERVICES/PRODUCTS

37% SAY CUSTOMERS HAVE TERMINATED THEIR BUSINESS DUE TO BUDGET CUTS

37% SAY CUSTOMERS HAVE REQUESTED FREEZING WORK UNTIL A LATER DATE

Fig. 7:
Where will SMEs increase and decrease spend in 2023?

THE OVERALL PICTURE ACROSS THE UK AND EUROPE TELLS US THAT SMES ARE SET TO BE INCREASING SPEND ACROSS THE MAJORITY OF THEIR BUSINESS.

THE NETHERLANDS AND DENMARK WENT ONE STEP FURTHER, PREDICTING THEY WOULDN'T BE DECREASING SPENDING ACROSS ANY AREAS. WHILE FRANCE TOLD THE OPPOSITE STORY, ONLY INCREASING SPEND IN ONE AREA — SUBSCRIPTIONS, SUCH AS APPS AND SOFTWARE.

NB: the below grouping represents the majority response from businesses for each category

OVERALL RESULTS ACROSS ALL COUNTRIES

INCREASE ↑ *(in order of focus)*	DECREASE ↓ *(in order of focus)*
Cybersecurity	Employee gifts
Employee training	Employee bonuses
Marketing	International business travel
Recruitment	Office space
Employee benefits *(including health insurance and travel stipends)*	
Employee promotions	
Tech infrastructure	
Employee pay	
National business travel	
Subscriptions *(such as apps and software)*	
Employee socials	

Growth is on the menu for 2023, but scattershot cuts appear to suggest the lack of a robust financial strategy—something that could have the opposite effect on business growth.

Our P(le)OV

“2023 is all about driving efficient growth, enabling your employees and retaining your customers. Our findings of CFO imperatives; granular spend control, real-time spend insights for agile investment decisions, saving money and freeing up employees from the drudgery of spend management tasks are aligned with those themes. For instance, across Europe and the UK, businesses are set to increase spending across many areas, ranging from cybersecurity to employee socials. Overall spend feels scattered, probably due to rapidly evolving needs in a volatile business climate, as seen from various silos within the organisation. This insight alone, can help CFOs drive the tightening of investments into fewer key areas to really make a difference along the core themes.”

ARUN MANI, CHIEF REVENUE OFFICER, PLEO

“The venture ecosystem whipsawed from growth-at-all-costs to preserve-your-capital almost overnight. Capital efficiency is the name of the game now. With some exceptions, companies need to sustain themselves for a long time on capital they already raised. This will naturally lead to more modest growth expectations for the startup sector.”

MERRITT HUMMER, PARTNER, BAIN CAPITAL VENTURES

Chapter 3: Getting smarter about spending

GETTING SMARTER ABOUT SPENDING

Right now, a sense of mild financial panic pervades the business landscape. And from the looks of things, what's being cut and what's being scaled up aren't influenced by an overarching financial strategy. Visibility of spending is, after all, missing – worrying us that the majority of businesses across the UK and Europe are flying blind.

How some businesses are reacting to the economic situation is by leaning into the downright superhuman financial talents of their CFOs. With an overwhelming 98% of businesses saying the role of their CFO has changed given the current climate – a figure that only went as low as 97% in the UK, while it reached 99% in Sweden, the Netherlands and Germany.

While the role of the CFO has undergone a significant change during the current climate, only 25% of businesses have seen theirs become more of a strategic business partner. This figure only reached as high as 31% in Denmark, while it sank as low as 22% in Germany. At a time when how money is made and spent is critical, it's a concern to find the CFO not a co-pilot for every business.

Fig. 8:
The changing role of the CFO

98% SAY THE ROLE OF THE CFO HAS CHANGED			
The most common areas CFOs are putting their skills to use across all businesses			
TECHNOLOGY INNOVATION	MARKETING	COMPLIANCE/ LEGAL	OPERATIONS

Another question for businesses is, with the CFO now spending more of their time elsewhere, who exactly is leading the finance team? We're not fans of the CFO spending their day handling the nitty-gritty of things like expense management, but only because we think they should be leading on strategy. In what is a bit of a paradox, they're doing neither; both in demand, and somehow underused.

To ensure they deliver value, and financial overview doesn't suffer, businesses must work harder to give them the space to steer the business through a rough economic climate. The solution, according to our survey results, could be found in technology.

But not just any technology. In looking at what's holding people back from managing financial processes and driving visibility of spending, what's sorely needed is a single tool that's easy-to-use, consolidates complicated tech across multiple entities, and is user friendly for quick onboarding.

If 2023 is going to see businesses meet their ambitious goals when it comes to revenue and growth – or even just steady the ship in a challenging year – what's needed is a smart spending solution that keeps your CFO free to drive strategy, and can give your employees autonomy in how they manage their and your money.

Fig. 9:
What challenges do businesses face when managing multiple financial processes/entities?

← TOO MUCH →	→ TOO LITTLE ←
34% SAY SOFTWARE OVERLOAD AND TOO MANY FINANCIAL TOOLS	33% SAY LACK OF EMPLOYEES TO MANAGE PLATFORMS AND DATA EFFECTIVELY
32% SAY COMPLICATED TECHNICAL PLATFORMS THAT AREN'T EASY TO USE	32% SAY LACK OF TRAINING TO MANAGE PLATFORMS AND DATA EFFECTIVELY
30% SAY OVERLOAD OF DIFFERENT DATA AND PLATFORMS	31% SAY CONFUSION AND LACK OF UNDERSTANDING OF WHAT FEATURES ARE AVAILABLE

Easy-to-manage platforms can open the door to better spend management for businesses, empowering teams and not burdening your CFO.

"Market context has changed owing to Covid-related uncertainty, the post-Covid e-commerce boom, and now the looming threat of financial instability. CFOs and finance teams have a critical role to play in building muscle within the company to navigate proactively, obtain quick feedback on performance drivers, and make necessary adjustments to both business strategy and operations. It's clear from the findings above that providing ongoing visibility to business performance and providing actionable insights to the business is critical and that there are widespread challenges that need addressing.

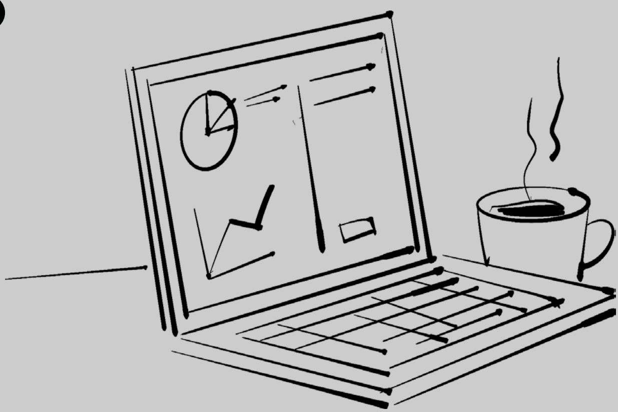
There's no time like the present — and now is an opportune moment for businesses to spend time scrutinising matters that haven't been top priority — such as unnecessary spending. However, it's important when doing this to design a scalable system that avoids time-intensive, manual work with efficient, streamlined processes. This way, your team remains agile and productive, and you're still getting the real-time data to help accurate forecasting and make a difference."

ANITA SZAREK, CHIEF FINANCIAL OFFICER, PLEO

“Instead of my managers spending time retrospectively approving and looking at costs, I’d rather they were looking forward and enabling good decision-making. There is such a huge cultural shift between blocking or challenging decisions and empowering and supporting good decision-making; this was the path we decided we’d be on the side of.

Deploying fully digitalised and integrated solutions will help finance teams to provide quick feedback and insights for decisions. Optimising processes for speed and looking for tools that can help to future-proof your business is critical now.”

JESSICA ZWAAN, COO OF WHEREBY



Chapter 4: Culture clash

4.

CULTURE CLASH

Fig. 10:
How have employees reacted to the current economic crisis?

33% HAVE HAD EMPLOYEES REQUEST PAY RISES

32% HAVE HAD MORE REQUESTS FOR REMOTE WORK BECAUSE OF CAREGIVING

31% HAVE HAD EMPLOYEES UNABLE TO JUSTIFY THE COST OF TRAVELLING TO WORK

For all the talk about how the cost of living crisis is impacting business spending, roles and planning – how is it affecting culture?

Even with the greatest spending strategy in the world, without a solid working culture, businesses will fail to deliver on their ambitions for 2023 and, more importantly, put their workforce through the wringer – at a time when they are experiencing the pinch of the cost of living crisis themselves.

Other reactions across the countries surveyed included employees refusing to use their own money to pay for business transactions in the UK, Germany, the Netherlands and France. While in Denmark and the Netherlands, more employees were coming into the office to avoid the cost of heating their own homes.

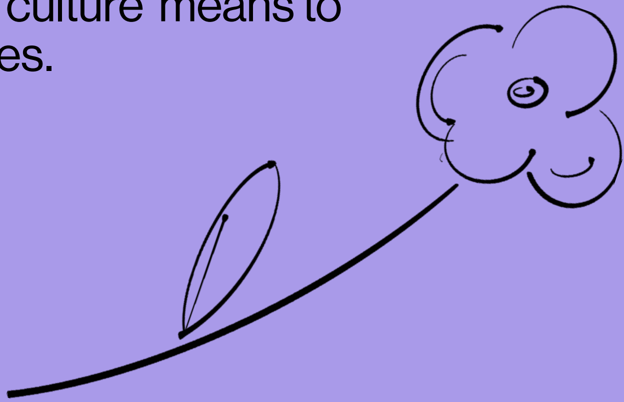
It's no surprise then that a staggering 94% of businesses said that the cost of living crisis was affecting their working culture, with the biggest impact across countries coming from a move from a shared office to a more affordable or remote location.

How you spend (or rather, don't spend) can have a significant impact on culture – at a time when it's hanging in there by a thread anyway – meaning businesses must do more to ensure they are supporting the workforce.

One of the ways it seems to be pivoting to doing just that is by rethinking what exactly workplace culture looks like. Far from ping-pong tables and fridges full of beer, 44% of businesses are swapping employee niceties – things like work perks, gifts, socials – and giving employees what they really want – better pay, training, travel expenses.

When it comes to workplace culture, businesses can make sure their money works harder for them by focussing on the things that truly make a difference. This will only serve to reward them in kind and ensure that if they want greater productivity and performance in the months ahead – their people are ready and willing to deliver it!

Working culture is one of the great casualties of the cost of living crisis. Businesses need to put more work into it, including defining what ‘culture’ means to their employees.



“What we’re seeing is that working culture has taken a knock in terms of focus for businesses as they tackle broader issues including inflation and a potential recession — with market conditions having had a negative impact on Pleo’s culture too. However, as we all know, culture is key to retaining talent during this turbulent time, as it keeps people motivated and engaged.

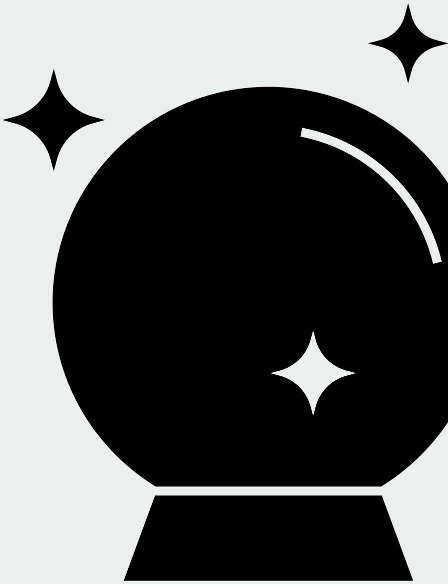
It’s positive to see in Chapter 2 that in general, businesses across Europe are looking to invest more into employees over the next year, with an increase in spend on training and benefits. However, only 24% of companies across Europe and the UK are focussed on improving culture.

In times where trust, caring and transparency are challenged by market conditions — we as People Leaders need to prioritise trying to create an environment that provides a safe space for people to show up and do their best work.

For employers, this includes being authentic and responding flexibly to employees’ needs so that teams can realise their full potential. When an environment is safe, and healthy, this removes roadblocks for employees to do great work — which promotes efficiency and speed too.”

JESSIE DANYI, BELONGING & IMPACT LEAD, PLEO

Wrap-up: 2023 is set to be the year of...



2023 IS SET TO BE THE YEAR OF...

The good news is that 2023 can be a great year.

When it comes to what businesses across the UK and Europe say this year will be known for, they answered:

TEAMWORK
INFLATION AND SUPPLY CHAIN SECURITY
DIGITAL TRANSFORMATION

Fig. 11

Looking at how individual countries responded, answers ranged from the acknowledgement of harsh realities (with the UK saying ‘certain industries crumbling’) to the ambitious (with Sweden and Spain saying ‘turbocharged innovation’) to the recognition of what’s required of us in the near future (with France and Germany saying ‘unprecedented adaptation’).

It’s fair to say that for businesses en masse to ensure supply chain security and digital transformation, they not only need to rely heavily on teamwork – but teamwork in partnership with smarter spending solutions that drive financial visibility and don’t drain productivity. Because, without fixing their finances, businesses will quite simply fail to survive.

Looking at our research in overview, it’s clear that not enough businesses have clear visibility on financial health and performance. The percentage of businesses with strong visibility is under 50% – when really, 100% of businesses should have it.

To remedy this, businesses must do something about their clear desire to get better access to financial technology, and use this to be more transparent and drive financial strategy and resilience.

But they can't afford to hang around! A concerningly low 41% of businesses describe themselves as recession-ready when a period of economic uncertainty is unfortunately already underway.

“As you come to the end of this report, one word should be ringing in your ears — opportunity. This might raise a few eyebrows, but survival is about attitude as much as anything. So let’s use the adverse market conditions we face to our advantage. Because out of them can come resilience and maturity — and we can leave this period, still intact, but also with a better way of operating, and better processes for decision-making.

Whether your market crossing the line over into a technical recession looks likely or not, what’s clear is that most businesses will be tightening their belts as they look to save costs. We must all be more selective about investments, which in turn will allow us to prioritise and focus more on delivery and execution. Together with better decision-making processes, this will make the chance of great successes much higher.

What’s more, it’ll serve to provide a blueprint for how we deal with years to come. Come the start of the year, we strengthen our fundamentals, and lay the groundwork for accelerated, but sustainable, growth. But to get there, we must treat this not like a crisis, technical recession, disaster — whatever you want to call it — but an opportunity.”

JEPPE RINDOM, CEO AND CO-FOUNDER, PLEO

METHODOLOGY & SOURCES

The survey was carried out on behalf of Pleo by Censuswide, speaking to 3504 senior decision makers across the UK, France, Germany, Spain, the Netherlands, Denmark and Sweden. In each region, the research gauged the opinions of roughly 500 senior decision makers in firms with between 50-500 employees. The survey was in the field in the month of November 2022.

ABOUT PLEO

Pleo is an out-of-the-box business spending solution that offers smart payment cards and automated expense reports for employees, enabling them to buy the things they need for work while giving finance teams full control and visibility of all company spending. Pleo catches receipts on the go, automatically categorises expenses based on previous behaviour and eliminates the need to do manual expense reports. Pleo also offers invoice tracking and payment, full Apple Pay and Google Pay compatibility and instant out-of-pocket spend reimbursement through its Pocket feature. In short, Pleo captures wall-to-wall spend across a business.

Founded in Copenhagen in 2015 by fintech veterans Jeppe Rindom and Niccolo Perra, Pleo has become Denmark's fastest ever unicorn, now valued at $4.7 billion. Today, the Pleo team is +800-strong, with seven European office locations (London, Stockholm, Berlin, Paris, Lisbon, Madrid and Copenhagen). Over 25,000 companies are using Pleo across 16 markets (UK, Ireland, Denmark, Sweden, Germany, Spain, France, Luxembourg, Estonia, Netherlands, Belgium, Austria, Norway, Italy, Finland and Portugal).

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