Why fuel costs can get out of control — and how to stop it

If fleet managers made a list of their top expenses, fuel would rank second highest. It's no wonder — fuel is critical for operating a fleet, and is not an expense that will disappear.

But that doesn't mean fuel expenses can't be controlled. Thanks to technology and strategic planning, organizations can make programmatic, demonstrable changes for their fleets. As changes are made at the fleet level, organizations can put fuel costs in check — and even make for a more fuel-efficient fleet.

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Buying fuel at any station

As much as fleets may wish there was a standard price per gallon for fuel, the fact is fuel prices vary from location to location. So when drivers choose to fill up at a station with a higher price per gallon out of convenience, they will obviously end up paying more per gallon.

The difference may be a few pennies per gallon, but multiply those pennies by the number of gallons purchased to fill a tank, then multiply that by the number of vehicles in your fleet, then by the number of times vehicles are fueled per year, and the costs can add up quickly.

At the same time, you don't want drivers logging excessive miles to find a station with the lowest price. That wastes fuel, costing you more in the long run, too.

When choosing where to fuel, drivers should strike a balance between convenience and price. Ideally, drivers should be directed to a lower-priced station along their route, including locations where discounts have been pre-negotiated. Using a mobile solution, such as the Voyager® Mobile App, supports routing drivers to preferred fueling locations including those with pre-negotiated discounts. According to Marie LeMoine, Fleet and Aviation Group Product Manager at U.S. Bank, "Managers need not worry that drivers are going far out of their way to find a gas station or truck stop. Routing to specific locations where discounts have been pre-negotiated helps fleets to better forecast expenses. There's less left to chance and fewer surprises involved."

How the pennies add up

$2.50 per gallon vs. $2.48 = 2 cents per gallon savings
2 cents per gallon x 20 gallons = 40 cents savings
40 cents x 200 vehicles = $80 savings
$80 x 52 (fueling once per week) = $4,160 savings

Setting fueling expectations

- **Know the prime locations to fuel.** Locations close to highways tend to be pricier, while stations in lower visibility areas are usually more affordable.
- **Get an app.** Use a mobile app to find the best fuel prices in the area.
- **Pick a favorite station.** Lower-cost fueling stations are consistently the lowest week to week, so there's nothing wrong with choosing one that's convenient and priced right and sticking to it.
- **Leverage discounts.** Negotiate with the chains and locations used most often and direct drivers to purchase fuel from them when possible.
- **Make a list.** Provide a list of low-cost fueling stations to your drivers and recommend their use (while allowing exceptions as needed).

How fuel costs spiral out of control

Buying any fuel grade

Just as drivers should be considerate in choosing a fueling station, they should also be mindful of the fuel grade they choose.

When drivers aren't using their own dime, they are more likely to use premium fuel. But the price per gallon can vary significantly between fuel types, so again, costs can add up quickly.

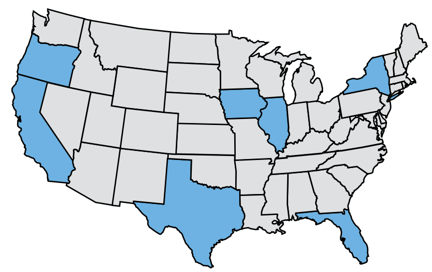
In March 2017, the average national price for regular gasoline was $2.30. The price for premium was $2.82. That's 52 cents more per gallon, which can make a huge dent on a fuel budget.
[Source: http://gasprices.aaa.com]

Quick fix: Getting the Right Octane Fuel

- **Go low.** Instruct drivers on which fuel to use, usually the lowest octane available.
- **Serve yourself.** If the driver is in a state where self-service is allowed, be sure they use that option and not full service.

How the pennies add up

$2.30 per gallon vs. $2.82 = 52 cents per gallon savings
52 cents per gallon x 20 gallons = $10.40 savings
$10.40 x 200 vehicles = $2,080 savings
$2,080 x 52 (fueling once per week) = $108,160 savings



Average costs of different octane options in a sampling of states

Washington:	Regular $2.83	Premium $3.11	Difference: $0.28
California:	Regular $3.00	Premium $3.24	Difference: $0.24
Iowa:	Regular $2.31	Premium $2.73	Difference: $0.42
Illinois:	Regular $2.34	Premium $3.07	Difference: $0.73
Texas:	Regular $2.10	Premium $2.60	Difference: $0.50
New York:	Regular $2.43	Premium $2.91	Difference: $0.48
Florida:	Regular $2.28	Premium $2.85	Difference: $0.57

How fuel costs spiral out of control

Fuel misuse, slippage and fraud

Spending too much per gallon is just one way fuel costs get out of control. Fleets can also find themselves in a situation where money designated for fuel is spent in ways other than fueling fleet vehicles. Misappropriation of fuel dollars falls into three categories: misuse, slippage, and fraud.

Misuse

With fuel misuse, non-fleet vehicles are filled on the company's dime. This includes:

- Fueling a personal vehicle
- Filling a friend or family member's vehicle
- Filling a stranger's vehicle and pocketing the cash

Beyond fueling non-fleet vehicles, drivers can misuse fuel dollars in other ways, too. When driving personal vehicles for business trips, they can inflate mileage to get higher personal-use reimbursements. Conversely, they can use business vehicles for personal purposes, and, as a result, burn fuel for non-business purposes while reporting it as a business expense.

Slippage

With slippage, drivers use company dollars to purchase non-fuel items such as food and drinks, but report it as a legitimate fuel purchase. These purchases may be seemingly innocent — a candy bar here, a soda there — but they add up.

Fraud

Employees aren't the only ones misusing fuel dollars. Third-party fuel fraud is also a reality.

While fuel cards remain the most secure, efficient, and simple way for drivers to purchase fuel, criminals see them as an opportunity for profit. They may install card skimmers, copy cards, or steal the card outright. And if the fleet program is not properly managed with the right controls and training, a company can be exposed to more risk by third-party fraudsters.

Quick fix: Use technology to identify and prevent misuse and fraud

- **Monitor fuel purchases.** Use fleet management software to compare a vehicle's fuel tank size and average fuel economy to the amount of fuel purchased. You can't fit 20 gallons of fuel in an 18-gallon tank, so if the purchase exceeds that limit, you know something is up.
- **Track trip length.** Use telematics for optimized routing and to compare driver-reported mileage information to "start" and "end" locations for each trip.
- **Set limits.** Rely on a fuel card program to set limits on the number of gallons each driver can purchase at a time and to limit purchases to those made at the pump, and lock out non-fuel purchases.

Quick fix: Third-party fraud prevention

Fight fuel card fraud by following these steps:

- **Protect PINs.** Remind drivers to protect their PINs at the pump.
- **Scrutinize the pump.** Look for signs of tampering at the pump, like broken seals. If something on the pump looks suspicious, don't use it.
- **Seek onsite security.** Fill up at stations with surveillance systems.
- **Require controls.** Work with a fuel card provider with the proper anti-fraud protections in place, such as restrictions on the number of transactions or the amount of fuel spend per day or cycle.

How fuel costs spiral out of control

Inefficient operations

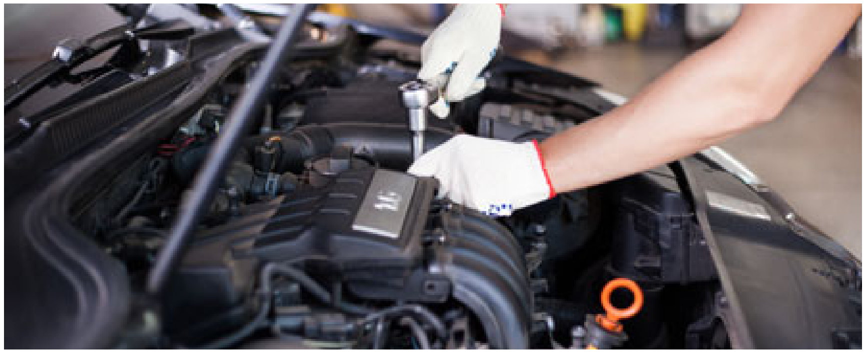
Sometimes the reason fuel costs get out of control isn't as sinister as misuse or fraud. Oftentimes, the reason is much simpler: The fleet just isn't running as efficiently as it could be. While there are lots of ways fleets can find efficiencies, two have a significant impact on fuel: routing and maintenance.

Routing

The more miles you drive, the more you spend on fuel. So if drivers are left to their own devices and aren't supplied the most efficient routes, they're burning fuel driving needless miles. Optimizing routing is a simple way to spare miles and dollars. In addition to providing routing to drivers via the Voyager Mobile App, LeMoine states, "Drivers can safely use the hands-free audio feature that announces fueling locations along the way."

Maintenance

When vehicles aren't properly maintained, they usually aren't fuel efficient, either. Something as simple as poorly inflated tires can create drag that lowers MPG. Keeping up on routine maintenance will help vehicles run as efficiently as possible — and that helps them make the most of their fuel.



Quick fix: Simple steps for a more efficient fleet

- **Keep tires inflated.** Ensuring proper tire pressure also ensures vehicles don't suffer from unnecessary drag that lowers MPG.
- **Don't skip regular maintenance.** Maintenance may require some up-front costs, but keeping up with it will save at the pump.
- **Identify routes.** Even if you don't have routing software, online mapping tools and mobile apps can help you identify the most efficient routes for the trips your drivers make most. Provide these maps to drivers.
- **Remind drivers to stay on track.** If a driver leaves the route to grab lunch or run an errand, the company is paying for their personal use of the vehicle. Remind drivers to stick to business tasks when using a company vehicle.
- **Negotiate roadside assistance upfront to avoid costly road towing and related expenses.** Engage with a card provider such as the Voyager Fleet Card that has a pre-established relationship with a roadside assistance provider, The National Automobile Club.

How to control fuel costs

Implement a fuel card program

While there are many ways fuel costs can get out of control, fortunately there are also several ways those costs can be kept in check.

One major way fleets can get a handle on fuel purchases is by implementing a fuel card program. Each driver or vehicle is assigned a fuel card, which looks and works much like a credit or debit card. When these cards are used, valuable data is gathered that helps fleet managers track fuel purchases across the fleet.

Tracking fuel purchases fleet wide

With fuel cards, every transaction has an associated driver and vehicle number. When it's used for a transaction, the time, date, and amount of fuel purchased is recorded, and with the Voyager Fleet Card, additional fleet-related data is gathered. This Level III data can be aggregated so fleets can get reports about fuel purchases and identify exceptions. Data can be sorted by driver, vehicle type, odometer reading, etc. so fleet managers can identify trends and find efficiencies. LeMoine says, "Every transaction made with the Voyager Fleet Card captures critical pieces of information that we can slice-and-dice in multiple ways. Fleet managers can access much of our data in real time, to make informed decisions."

This data helps fleet managers get control of fuel purchases, and can also be used in other valuable ways. For instance, when combined with odometer readings, fleets can determine the fuel efficiency of each vehicle. Odometer readings can also help with proper timing of vehicle maintenance, which, in turn, makes vehicles more fuel-efficient.

Fighting fraud

Fuel card programs can also help fleets fight fuel fraud and misuse. With fuel cards, fleets can set parameters on what drivers can buy with the card, which helps avoid unauthorized purchases and slippage.

A fuel card with the proper protections in place can help fight fraud. Some systems will monitor transactions, and can be set to restrict the number of transactions, the amount of spend per day, or per cycle.

Fleets can also set limits on how much fuel is dispensed, so drivers can't fuel other vehicles or use fuel for personal reasons. If the number of gallons purchased exceeds that of tank capacity, the pump is stopped at the cut off.

Most important for the fleet, alerts will be sent whenever one of the fleet's parameters are exceeded.

With these measures in place, fraudulent behavior can be detected early.

Keeping costs down

If you're keeping a close eye on where drivers are fueling and which fuel type they choose, fuel cards can help. In addition to setting a maximum fuel limit, fleets can also set controls regarding the type and place drivers purchase fuel to avoid high price-per-gallon stations and premium fuel purchases.

And after purchases are made, fleet managers can analyze the data to see where excess fuel is consumed and identify areas of improvement.

Keeping costs in check: fuel card programs

With a fuel card program, fleets can:

- Track data on every fuel purchase
- Run reports that offer purchase visibility and help identify areas of improvement
- Set limits on where, what kind, and how much fuel is purchased
- Prevent unauthorized purchases and slippage
- Detect unusual card activity and fight fraud

How to control fuel costs

Use telematics

Implementing a telematics solution offers another way to control fuel costs. These devices are installed on each vehicle and collect valuable data, such as GPS tracking, vehicle health, odometer readings, driver behavior, and idle time.

GPS tracking

Telematics allow you to track the movement of vehicles, so you'll know where every unit is in real time — and where they've gone. Vehicle tracking offers two key benefits when it comes to saving on fuel:

- Improved routing. With the ability to monitor routes, you can help drivers be more efficient. If you can do the same amount of work in fewer miles, you'll save money. And the more wasted miles you eliminate, the less you'll spend on fuel. Telematics can also help you route drivers to lower cost locations to fuel up.

- Identifying personal use. With vehicle tracking, you can see when drivers use vehicles for personal reasons after work, or even during work hours, such as stopping at a favorite lunch spot across town. If a vehicle drives even a few miles less per day, the savings add up.

Vehicle health

Telematics devices can report engine codes and odometer readings to alert fleet managers about preventive maintenance and repairs. Real-time monitoring of oil life, tire pressure, engine hours, and idling can minimize operating costs and maximize fuel savings.

Driver behavior monitoring

The way a driver operates a vehicle can have a major impact on fuel economy. And while you can coach a driver toward more fuel-efficient behaviors, you can't ride along with them to ensure they've heeded your advice. But with telematics, you can. These devices record vehicle speed, rapid acceleration, hard braking, hard cornering, and more. With the ability to track these behaviors and report back to drivers, you can coach them toward more fuel-efficient driving behaviors, monitor their progress, and ensure you see an improvement.

Idle time tracking

One hour of idle time equals the consumption of about one gallon of gasoline or diesel, so reducing it can result in big savings. Telematics can tell you exactly how long each vehicle spends idling. With this data in hand, you can work with drivers to reduce it — and, in turn, save on fuel.

Keeping costs in check: telematics

Telematics devices allow fleets to:

- Track vehicle movement to improve routing and identify personal use
- Report engine codes and odometer readings to monitor maintenance and improve vehicle health
- Monitor data on driver behavior that can be used to help shape more fuel-efficient driving habits
- Record idle time in an effort to reduce it

How to control fuel costs

Leverage private fueling

Instead of fueling vehicles individually at a public station, fleets can opt to create their own private fueling sites. Fleets house their own tanks on site, and then fuel is delivered to the tanks by a hired service.

One benefit of private fueling is it allows fleets to buy fuel in bulk, which can net a lower per-gallon price.

When purchasing fuel in bulk, you can buy fuel based on a spot price (a price quoted daily), a benchmark price (a price set by a third-party benchmark), or a fixed-price contract, which allows fleets to lock in a price for a specified time. Fixed-price contracts can last as little as a month or as long as a year or more, and allow fleets to budget for fuel more accurately.

While the price per gallon for bulk fuel may be lower than paying at the pump, it's important to note there is an expense to purchase, install, and maintain tanks. At the same time, private fueling offers other benefits beyond an economical price, including convenience, accessibility, and product security.

It is also important to note that pre-purchased fuel use must also be monitored like retail purchases. The Voyager Fleet Card can be used at private sites for non-financial transactions so that fleets can monitor and track the fuel dispensed. All of the same controls used on the card for retail spend should be enforced for non-financial transactions as well.

Bulk fuel purchasing options

Spot price
a price quoted daily

Benchmark price
a price set by a third-party benchmark

Fixed-price contract
a contract that locks in a fuel price for a specified amount of time

Keeping costs in check: private fueling

When fleets operate their own fueling sites, they can:

- Buy fuel in bulk, sometimes at a lower price per gallon
- Establish a fixed-price contract to budget for fuel more accurately
- Use a fleet card that accommodates non-financial transactions for pre-purchased fuel
- Benefit from added convenience, accessibility, and product security

How to control fuel costs

Reconsider vehicle selection

The type of vehicles in your fleet can have a significant impact on how much fuel is used. It's no secret that larger and older vehicles tend to be less fuel efficient, so taking a close look at the size and age of your fleet's vehicles can help get fuel costs under control.

Vehicle size

Fleet vehicles are tools drivers use to do their work, so it's important they have the right vehicle for the job. But sometimes it's important to consider whether the size of the vehicle is right. If a smaller vehicle can do the same job, downsizing can reduce the cost per mile. Using the smallest vehicle for the application means less fuel used and fewer dollars spent.

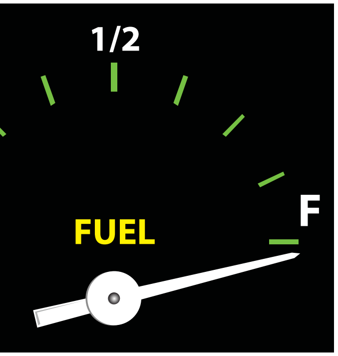
Vehicle age

Vehicles tend to grow less fuel efficient with age. And, as new, more fuel-efficient vehicles come on the market, relying on older units can mean missing out on opportunities for fuel efficiency. So it's important to look at the total cost of ownership. Could you save money by acquiring a newer, more fuel-efficient vehicle? It's a question worth asking.

Keeping costs in check: vehicle selection

Vehicle type can have a significant effect on fuel spend. Choose:

- Smaller vehicles over larger ones
- Models that offer the greatest fuel efficiency without hindering the fleet's mission
- To invest in newer, more fuel-efficient vehicles when the total cost of ownership justifies it



Calculate before you leap

Set attainable fuel-spend goals

You may not be able to immediately cut your fuel budget in half, but setting goals can help you track progress. Aim to reduce your fuel spend by a reasonable amount. From there, you can keep trying to improve upon it.

Setting fuel spend goals isn't just about setting a budget for how much you'll spend; it also includes setting idling rate goals and target fuel-efficiency rates to make sure you're getting the most out of those dollars, as well as reducing fuel theft and slippage.

Reducing idling

When a vehicle idles, its MPG is zero — and that means money out the door. Setting a goal to reduce idling can result in fewer dollars spent on fuel.

Improving MPG

If you're using telematics to monitor and improve driver behavior, track and keep up on maintenance, and identify and repair problems, you'll improve the fuel economy of your vehicles. A fuel card program can also help you track the average MPG for every vehicle in your fleet. Set a goal for how much you'll improve, and how you'll accomplish that goal.

Reducing theft, misuse and slippage

If you're using a fuel card program, you'll be able to uncover and address fuel theft, misuse, and slippage. Set a goal for how much you'll reduce unauthorized purchases.

Before you leap: set goals

To control fuel spend, set these goals:

- Overall fuel spend
- Idling
- MPG
- Reduced theft, misuse, and slippage

Calculate before you leap

Analyze your true fleet costs and report success

You can't track progress on your goals without a baseline on which to build. In order to know whether you're gaining control over your fuel spend — or even becoming a more fuel-efficient fleet, it's important to know what your costs are today.

Metrics to track include:

- Your current vehicle breakdown and expected mileage
- Fuel spend by vehicle type and driver
- Price paid per gallon

Depending on the tools available to you, you may also want to measure idle time, inefficient driver behaviors, and vehicle maintenance.

Once your baseline is established, you can track progress each month and demonstrate how your efforts are paying off.

If you've found a great solution, share your successes. Did a fuel card save you tens of thousands of dollars? Calculate your savings and let leadership — and your stakeholders — know your solution is working.

Before you leap: track metrics

- Vehicle breakdown and mileage
- Current fuel spend
- Price paid per gallon

Progress on goals

Learn more about managing fleet expenses and more at bankonus.usbpayment.com.