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## *The Pitfalls of Fleet Fueling in Retail Convenience Stores*

*The following paper was written by Shane Dyer, President of PowerUp Fleet, Inc. Mr. Dyer has over 20 years experience in petroleum distribution and commercial fleet fuel management. He has assisted countless corporations nationwide establish fuel management technologies and policies designed to lower total fueling cost.*

Are you a fleet manager or business struggling to keep a lid on your fuel costs? The key to your success in this effort is to thoroughly understand the elements that drive "Aggregate Fueling Cost", the total amount it takes to get your vehicles fueled and your drivers back on the road being productive for your business. The price per gallon is only one component that affects your bottom line profitability as a business when it comes to fuel management.

There are four critical factors that affect a businesses' Aggregate Fuel Cost:

- Cost of labor paid during the fueling process.
- Lost production profit due to time spent during the fueling process.
- Poor purchasing controls that facilitate abuse and slippage.
- Cost of resources tasked with auditing fueling activity.

Despite their claims, many fuel purchasing cards actually drive up your cost rather than help control them.

Based on our extensive experience and research, the absolute worst place to fuel commercial vehicles is in retail stations or convenience stores, where these factors are greatly exacerbated in a negative manner. Unfortunately, many fuel purchasing cards rely entirely on retail locations as their systems point of access.

In retail locations, the time required to fuel a vehicle is greatly increased for a variety of reasons, one of which is the temptation to browse the store and buy items, sometimes on your bill. The truth of this is evidenced in many petroleum marketing studies and articles.

Pat Curran, ExxonMobil commercial credit card advisor for the U.S. region recently stated in National Petroleum News (NPN) ***"The commercial customer that's coming in (to the store), particularly the fleet customer, fuels up in the morning, and then they buy ice and soft drinks for the day, breakfast and lunch. Some of our research shows that the fleet customer actually buys more inside a convenience store than the average consumer."***

Other studies have suggested fueling in such retail facilities actually add between 15 and 20 minutes to the fueling process due to the "shopping" effect. When the transaction is taking place in a truckstop, the time spent can approach 45

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minutes. Businesses have to understand they are paying the drivers during this time, and the impact is significant.

Consider an employee being paid \$10 per hour who consistently books overtime, which can often be related to the time wasted during fueling. With benefits, you are paying that resource in the neighborhood of \$18.00 per hour. If they “shop” for fifteen minutes (including standing in line to pay), you have added \$4.50 to the “fueling event”. Now divide that \$4.50 by your average fill amount of, say 25 gallons, and you can see that the impact of that wasted time to the price of fuel is \$.18 per gallon! If you have two employees in the same vehicle, the cost skyrockets to \$.36 per gallon!

In a competitive business environment, controlling expenses is critical. Fleet managers who assess the fueling event in addition to the price of fuel are better positioned to control costs. It’s a proven fact that a lower price paid for fuel may not mean a lower expense to the company. In addition to labor paid during the fifteen minutes wasted, businesses must consider how much the employee could have produced in profit during that time. Some businesses can actually define the opportunity lost.

Another issue related to fueling in retail locations involves purchase controls. The simple truth is that the controls are very poor, and unethical employees have figured out many different ways to cheat the system to their benefit. Surveys can be cited from such notable sources as Automotive Fleet™, indicating the slippage in poorly controlled fuel management systems can reach as high as 15% of the total purchase.

Our research in the field has identified several “elements” that contribute to this rate of slippage.

- ***Lack of product grade restrictions at the dispenser.*** Unfortunately, any “pay at the pump” options in the industry other than locations specifically designed for commercial fueling purposes, uses Multi-Product Dispensers, or MPD’s. The vast majority of MPD’s simply can’t prohibit a driver from selecting mid or premium grade over regular. This event alone can increase your aggregate fuel cost by up to \$.20 cents per gallon (the normal price differential between regular and premium).

Not only does this create an issue where you would need to confront the driver, you may not know about it unless your fuel management reporting flags it as an exception. The better solution is to not allow it in the first place.

- ***Clerk involvement in the transaction.*** A substantial number of retail fueling locations require the driver to go inside and interact with a store clerk in order to complete the transaction. Our experience has been that the owners of

these locations, and the clerks who work there, often care more about their own profitability than your fuel purchasing rules.

When a clerk is involved in the transaction, we've found many instances where "anything goes". Non-fuel items are easily converted into a fuel purchase, and the only indicator is a poor miles per gallon calculation on your management report, since the actual fuel purchase has been overstated.

The issue of a third party clerk involving themselves in the fleet fueling transaction should not be minimized. In a simple test to prove our theory we "presented" clerks (with whom we had no previous contact) an opportunity to deny the sale based on the product restriction of "Fuel Only". In each instance, we approached the clerk with a six pack of beer, and presented a "Universal" fleet card which would decline anything other than a fuel purchase (of any grade). In three out of five, the clerk automatically initiated ringing the cost of the beer through as a fuel sale. They systematically took the current price per gallon, divided it into the cost of the non-fuel item, and rang the calculated gallons up as a fuel sale. In one of the remaining two, we showed the clerk how to do it, and she complied.

Many people believe their employees wouldn't conduct themselves in such a manner, but years of hands on experience tell us the majority of businesses have an issue with employee theft at one level or another. One must also consider that, as the price of fuel continues to climb, so does the "temptation factor" to divert gallons from business use to personal consumption. We hear far too often when talking with employees, "The (owner) owes me for how hard I work. I consider it a perk!"

In addition to drivers simply having a clerk ring non-fuel items as fuel, we have also experienced several instances where clerks and drivers collude in outright stealing by falsifying the number of gallons purchased and splitting the difference in the sale amount from the cash drawer. In one instance, a clerk was pocketing a "split" from several drivers spread over many businesses carrying different cards. **(Note – stations carefully balancing sales to pump meters can detect this, however they often only take action if they're "short". These events actually make their sales to inventory "over" which is not viewed as a problem by most of the industry)**

Compounding the issue is the reliability of obtaining odometer readings with the transaction either as a result of a driver's refusal, or the "system's" inconsistency in delivering the data. Without accurate odometer readings, fleet managers simply cannot detect the above described activity. We have corrected drivers for fleet customers who always seemed to "fail" to get the odometer entered properly. Our position is that such consistent failures are an indicator of an employee who is purposely abusing the system. Unfortunately, the knowledge of how to abuse the system is often passed throughout the "labor pool".

- ***Using velocity controls (usage restrictions) based on dollars.*** Fleet fueling control mechanisms must be based on gallons verses dollars. Unfortunately, many fuel management programs can't restrict transactions based on gallons as a result of the retail fueling infrastructure. What this means is that you are guessing how much fuel a vehicle will consume, multiplying it by an "estimated" price at the time, and setting the limit. As the price of fuel rises, you "short change" the driver. As the price of fuel falls, the driver enjoys excess purchasing capacity. Fleet managers are continually "adjusting" their limits in an effort to gain control. Some fleet card providers make this job easier, but our experience is that dollar based limits are less than effective in contrast to gallons (relative to the vehicles projected daily, weekly, or monthly consumption patterns).

How well a fuel management system handles all of the above described conditions dictate how much time must be spent by a business to monitor their fuel consumption. The optimal solutions will eliminate the problems prior to the transaction ever taking place. The "not so" optimal solutions will require much more time on the back end, reviewing data, searching for improper activity, and leading to confrontations with drivers in an attempt to correct the "bad" behavior.

We have established a series of criteria for what should be considered an optimal fuel management solution.

- Locations must be largely commercial in nature, unattended, and void of distractions such as C-stores or restaurants.
- Products offered must be limited to fuel only along with quart or gallon oil availability.
- System must guarantee the ability to limit purchases to a specific grade of fuel or combination of fuels appropriate for the driver and vehicle combination.
- Consumption must be restricted to gallon limits based on either daily, weekly, or monthly fueling patterns.
- System must provide facility for reliably capturing exact time, date and location of transaction.
- System must capture odometer and compute miles per gallon calculations between each fueling event.
- System must provide the ability to capture vehicle ID, or Driver ID (depending on whether card stays with driver or vehicle)
- System must allow the ability to capture at least one additional data element as required on a case by case basis (used to track job numbers, profit centers or any number of other auditing tasks)
- The system must provide utility to restrict transactions based on time of day, and day of week ranges (on a card by card basis).

- Fleet manager must be able to “establish” rules for activity on a driver/vehicle basis, and receive notification anytime an “event” falls outside those parameters. Notification in optimal environments should be emailed within 24 hours of occurring. (Commonly referred to as “Push Technology”, it’s much better than having to log in and view your activity online, or even worse, wait for a printed statement at the end of a billing cycle when it’s often too late to approach a driver because of the time that has passed.)
- Fleet managers must be able to “lock out” cards immediately upon request, either through phone or online account access.
- Fleet managers must be able to access historical transaction data online using “ad-hoc” query functions.
- System must provide transaction data sorted by vehicle, and secondly by driver on the same statement.

Certainly, there are many other “criteria” that can be applied when drafting a Request for Service, but these will help ensure your fuel management system is controllable.

Our preference is for fleets to utilize fueling options largely composed of “unattended commercial” locations. Also known as cardlock, these locations provide the foundation for the transaction controls outlined in our criteria, and are not laden with the problems associated with fueling in retail facilities. However, each provider may, or may not, provide the rest of the requirements, as each uses different management tools to service their accounts.

Unfortunately “cardlocks” are most often located in industrial sections of town, or on major arteries. Fleets that have been fueling in retail environments must “retrain” their drivers to use these locations. If your business is not located near one of these providers, it may entail having your drivers change the timing of their fueling so that it matches the fueling location. The goal is to conduct the fueling event in a fashion where you have the control, and are eliminating the wasted time in the retail environment.

A lot of effort has been expended on the part of major card issuers to convince fleets that the number of locations is more important than the level of control. Our experience is to the contrary. The downside of fueling in retail locations can be substantial.

Our advice is to direct as much of your fueling activity into unattended commercial fueling locations as possible, and only use retail locations to “fill the gaps”.

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