

Level III Data: A Fleet Manager's Fundamental Tool

What is Level III Data?

Data is the most important tool in a fleet manager's toolbox. Knowing what's being spent, and how, empowers managers to make the right purchasing decisions for their fleets without leaving it up to individual drivers. The more specific your data, the better informed your decisions will be. That's where Level III data capture can help.

Level III data is enhanced transaction detail that helps fleet managers identify not just the "where" and the "when" behind a purchase, but also the "who", "what", and "how". It's a tool that can help fleets run more smoothly and cost-efficiently by pinpointing problem areas before they spin out of control. Without Level III data, fleet managers would need to manually audit statements to discover potential problems.

In this paper, we explore how Level III data capture enables managers to more effectively administer their fleets, including:

- How Level III data goes beyond what corporate credit cards offer
- Examples of how Level III-only purchasing controls prevent fuel card fraud and misuse
- How Level III helps government agencies and non-profits identify taxes for exemption
- How enhanced data can streamline operations and reduce costs

Level III Means A Clearer Paper Trail

To appreciate how Level III data can improve fleet management, first one must understand what exactly distinguishes it from Level I and Level II.

Level I data is the bare-bones details about a transaction: date of purchase, merchant name, and total purchase amount. For example, it's the same information found on a consumer debit card statement, and for fleets, it's far too limited to be useful.

Level II data provides more detail around transactions including such details as merchant type, fuel grade, sales tax and so on. For example, most corporate credit cards capture at least Level II line item detail.

However, Level II has its limits as well. Most Level II compatible stations can only prompt for basic information, because the bank card networks powering the back end of these transactions were designed for consumer use — and consumers have no need for additional prompts beyond security features. This leaves those using consumer networks for corporate needs without the necessary tools to manage their business vehicles.

Level III data goes a level deeper, and provides transaction level information on who purchased what, when and how. Proprietary fleet cards like those offered by WEX® have built up their own back-end networks, which allow them to capture additional data via two-way communication between WEX and the Merchant POS device. WEX has developed its own unique Level III software specification — different from consumer designed Level II specifications.

WEX often has Level III data at locations where bank cards only collect Level II data. Merchant locations which are compatible with bank card Level II data enable WEX's Level III data — because WEX works with each merchant to update its specification. WEX Level III software collects Level I and II detail, as well as additional data points, including vehicle ID, driver ID, odometer reading, etc. (See **Figure 1**).

What is Level III Data?

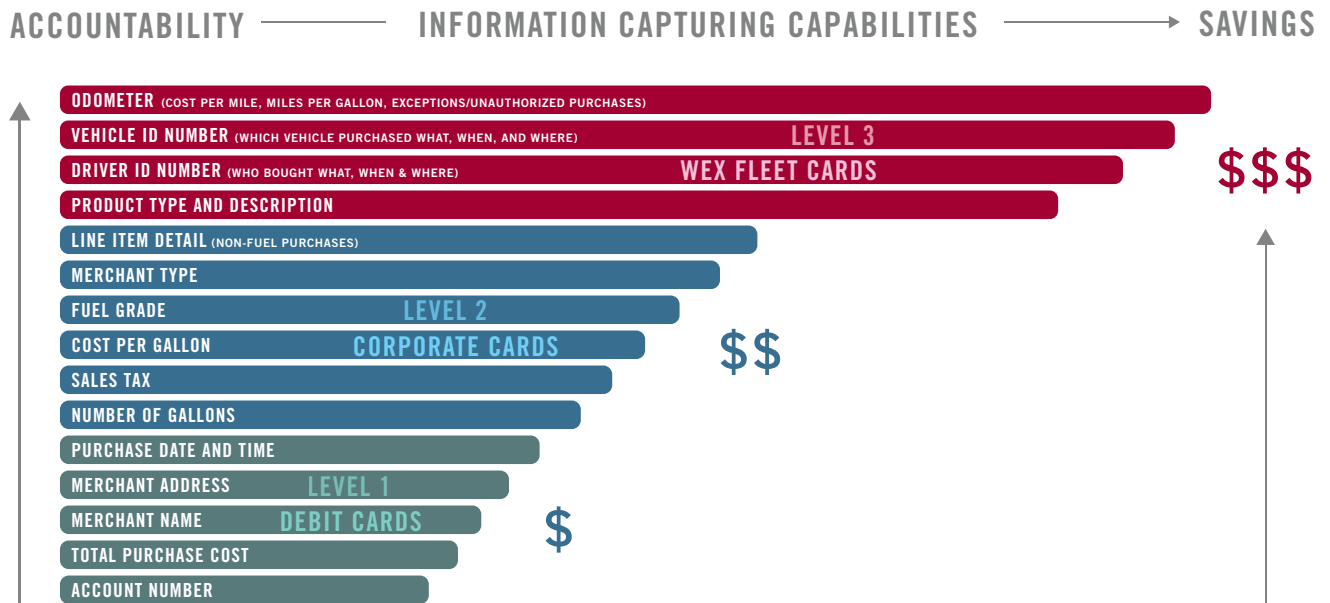
Level III data is transaction detail that supplements the “when” and “where” behind a purchase, with the “who”, “what” and “how”.

Examples of Level III data:

- Driver/vehicle ID number
- Odometer reading
- Product category and description
- Cost per mile

Level III requires a cardholder to input a driver or vehicle ID — which can only occur at Level III supporting locations.

Figure 1: Level of detail captured by Level I, II and III



Source: WEX

Controls can then be put in place to decline a transaction when a customer's parameters are not met. When drivers swipe their fleet cards at a Level III station, the point-of-sale device prompts them to enter certain information (i.e. driver ID and odometer reading). This information, collected before a purchase is authorized, enables managers to know in real-time exactly who is spending how much money to fuel each vehicle, cost per mile, cost per gallon, without needing to manually sift through receipts.

While Level I and II data may suffice for consumer purchases, Level III data is ideal for fleets with multiple vehicles and drivers to administer. Without Level III Data, large fleet management becomes a tedious, time-consuming audit of invoices and bank statements.

"Level III data made it so much easier to analyze our fleet's fuel purchases," says Joe LaRosa, director of Global Fleet Services for Merck, Sharp and Dohme Co, who oversees more than 30,000 vehicles in over 100 countries. "Our fleet managers no longer have to rely on expense reports alone to devise their cost analyses, which saves us time and resources."

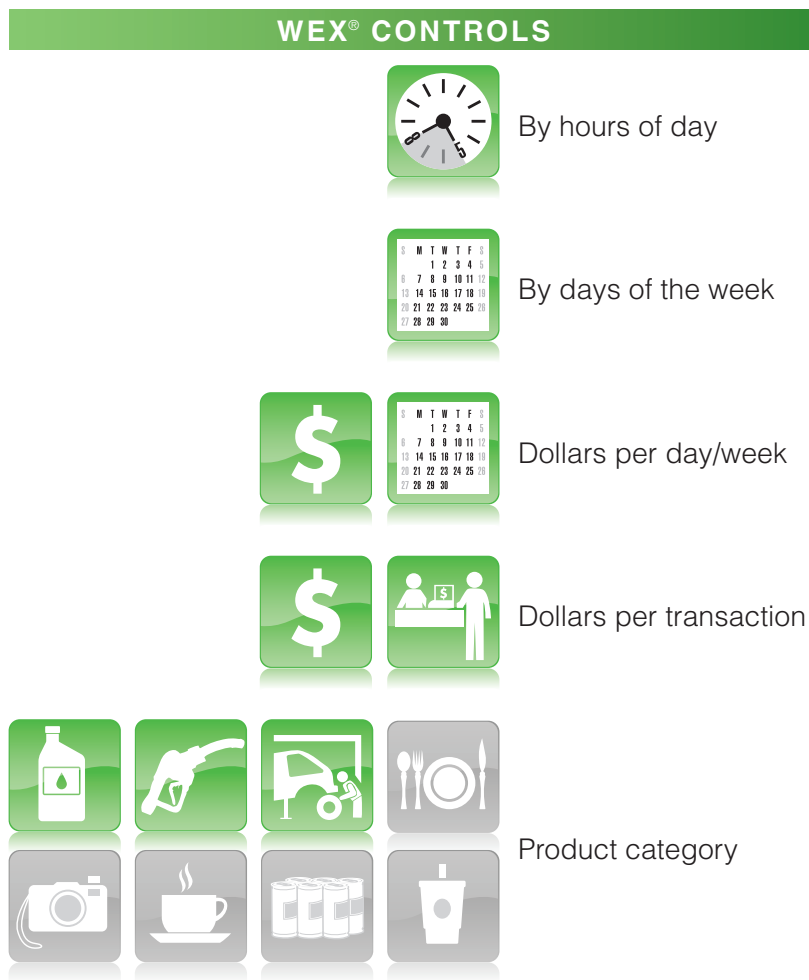
The percent of merchant locations offering Level III data within a given network is a key factor when selecting a fleet card vendor. The WEX network has **99.8% Level III data capture**, while most major bank cards have limited to low Level III data capture. If a provider is claiming Level III data capture, a fleet manager needs to read the fine print.

Control Purchases — Including Who, What, and How

Proprietary fleet cards with Level III capability can be customized with purchase controls so that only certain product categories may be purchased. For example, a Level III-enabled card can be set to accept fuel purchases only; or only fuel and fluids; or even fuel, fluids, service and food purchases. Should a driver attempt to use a card restricted to fuel and maintenance for general merchandise, the card would be declined.

Additional restrictions can be set on dollar amounts, dollars per transaction, number of transactions in a certain time period, and more. (See **Figure 2.**)

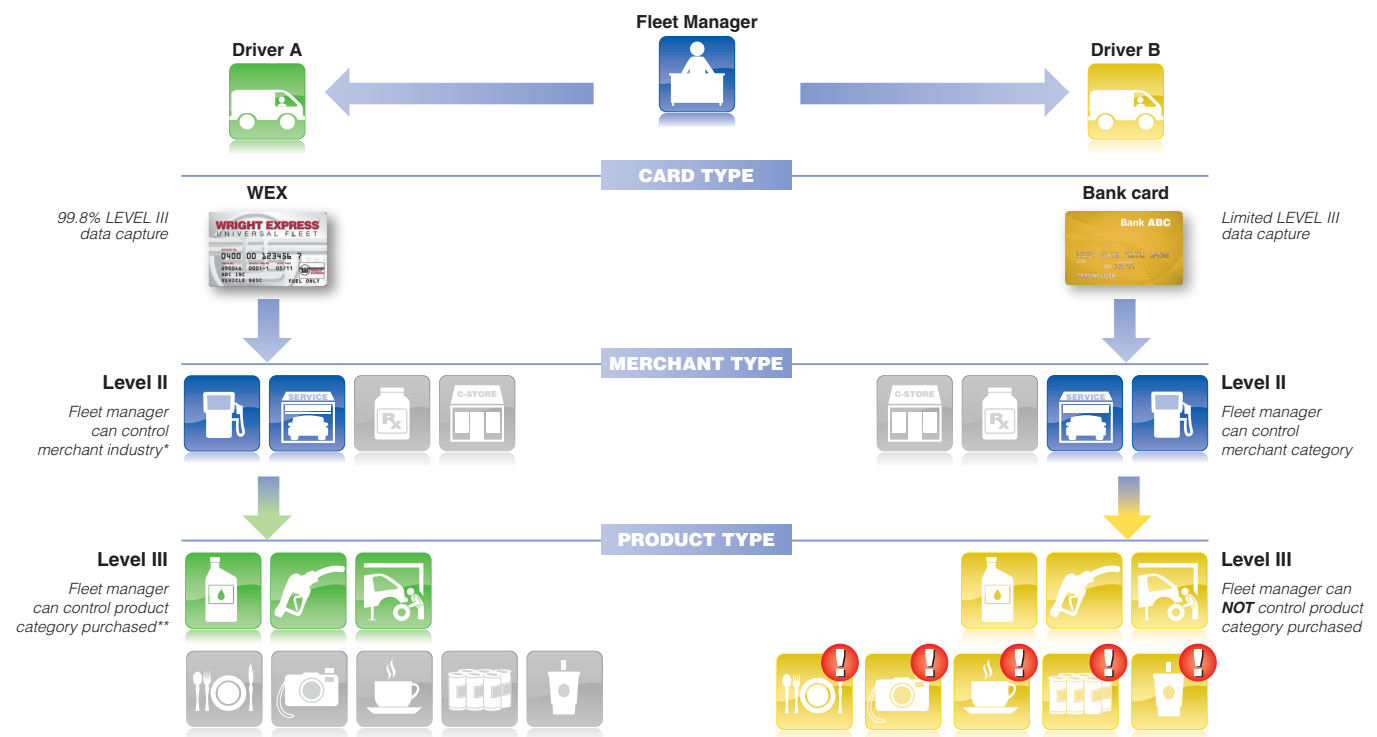
Figure 2: Sample Controls Offered By WEX



Purchase controls can even be set by time of day or week. For example, if a fleet manager knows drivers will not use vehicles on Wednesdays, Saturdays or Sundays, then Level III-capable cards can be turned off on these days. Likewise, the card can be opened up for use only during certain peak hours when drivers will be using them.

Corporate credit cards, however, do not offer purchasing controls based on product category or timing parameters. Instead, restrictions are based on merchant category, meaning that these cards can be set to work only for certain businesses, such as fuel and service merchants. However, once inside these locations, a cardholder can purchase any product offered by the store, including food, beverages, clothing, digital music players, and so on (See **Figure 3**.). With no means to prevent these unauthorized transactions, cardholders can purchase whatever they like, and fleet managers will only find out about it after-the-fact — when they're stuck footing the bill. This problem could become particularly troublesome with lost or stolen cards, or for terminated employees whose cards have not yet been turned off.

Figure 3: Differences in the controls offered by Level III-enabled cards vs. corporate cards:



* WEX negotiates merchant acceptance through a closed loop proprietary system, which inherently includes only fuel and service locations.

** Dependent on merchant's transmission of accurate data.

With a bank credit card, the fleet manager's only recourse is to set its controls such that it works only for Island Card Readers. However, not only does this exclude valid in-store purchases, such as oil or washer fluid, but it can also leave drivers stranded should a terminal be out-of-order, or a magnetic card stripe not read properly.

Since bank cards were built for consumer use, fleet managers using bank cards for fleet purchases quickly discover that they are using a platform built for another purpose. These cards have a limited level of control over purchases, their timing, and lack the ability to tie them back to specific drivers and vehicles.

Better Fleet Management for Commercial and Government Fleets

Managers can exploit the richer level of detail captured by Level III to facilitate smarter and more efficient fleet operation. For example, driver ID's allow fleet managers to easily identify purchasing and consumption patterns. Gas-guzzling vehicles or drivers consistently refueling at above-average prices become immediately obvious, as do opportunities to improve costs per mile or mileage per gallon.

In addition, managers can use odometer readings and changing fuel-per-gallon consumption figures to optimize maintenance schedules and know which vehicles are ready to be traded in or retired from the fleet.

"With drivers filling up every few days, there's a constant flow of up-to-date information," says LaRosa. "The data that we collect at the pump is the best tool we have to know exactly how much we spend each month. It makes our entire fleet run that much more smoothly and effectively."

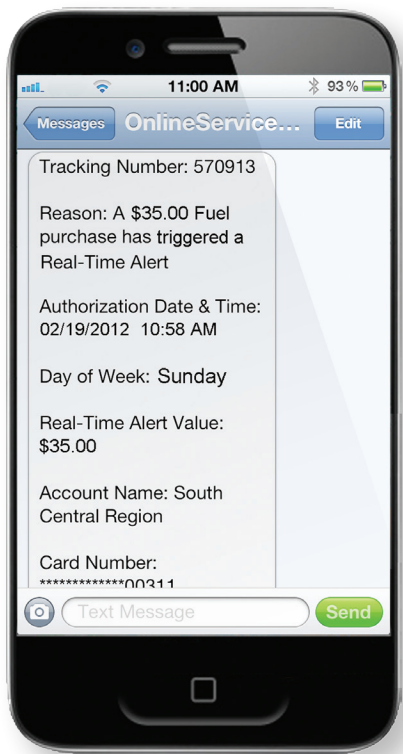
Level III data is particularly relevant for **government agency fleets**. Level III data provides tax exemption and reporting for tax recovery efforts. Gallons and fuel type are inherent in Level III, and can be reported on. Without those data points, in most cases it is not possible for the card provider, the fleet, or their merchants to provide fuel tax exemptions or reporting to qualified fleets. This can add up fast. The federal excise tax on unleaded gasoline is 18.4 cents/gallon alone, and the average state and local taxes are 30.4 cents/ gallon (2012).

The additional controls available with Level III cards allow reporting to be streamlined, and help capture savings to enable agencies to make best use of their budget. In addition, government agencies may have a mandate to report expenses to public stakeholders and the legislature in their respective locality, reporting which is made easier with Level III data.

Reduce Fraud and Misuse

Level III data can also help managers reduce unauthorized and fraudulent use of their fleet cards. Because drivers must input ID numbers at the time of purchase, Level III creates a paper trail that links all expenditures back to their source. If a driver makes a purchase, a fleet manager will know. This opens up the ability to assign Driver or Vehicle ID's, so reporting can be tied back to drivers who may use multiple vehicles, or vehicles with multiple drivers.

For example, drivers could potentially use corporate credit cards to fuel their personal vehicles. Knowing when this occurs is difficult to determine from receipts alone — all the home office sees is that Driver X required more fuel than usual in a given month. Level



III data capture, however, allows managers to spot inconsistent odometer readings, mileage-per-gallon statistics, or station locations.

Fleet managers may also use Level III data to set **Real-Time Alerts** that notify them in case of unusual or undesirable fueling behavior. They can even set purchasing controls to decline unauthorized transactions before they occur. What's more, if the cardholder doesn't input a Driver ID or Vehicle ID number at the time of purchase, the transaction won't authorize, thus preventing the card's use in case of loss or external theft. A typical corporate credit card, on the other hand, requires no additional verification — it's simply swipe-and-go.

Better Data = Streamlined Administration

Because Level III data is captured automatically and transmitted through electronic networks, the time and resources needed to juggle fleet administration are greatly reduced. No longer must accounting departments spend weeks or months untangling relevant purchase details from individual receipts or manually verifying drivers' purchases against their card names. Transaction data can be easily merged into back-end electronic procurement systems without any manual intervention, and Level III data can help managers create better, more dynamic custom reports.

“Improved data and reporting enabled us to greatly boost overall organizational efficiency,” says LaRosa. He adds that Merck once had over 40 employees touching global fleet operations in some way; today, there are only 12. “We no longer need large fleet departments. Better data and more efficient reporting allowed us to consolidate our processes and significantly reduce our administrative costs.”

What’s more, larger fleets that must report quarterly or annually to governance and compliance councils can more accurately and efficiently generate their reports using Level III line item detail.

Conclusions

Level III data offers the right data in the right way. Managers of larger fleets especially can benefit from the proper use of Level III data, as it helps reduce and eliminate improper fleet card usage and streamline business operations and administration. Level III data helps fleet managers:

- Control where, when, and how drivers use fleet cards
- More easily identify consumption patterns and perform vehicle life-cycle analyses
- Identify tax-exempt purchases for government and non-profit fleets
- Reduce fraud and misuse of fleet cards
- Streamline fleet operations and reporting for government and commercial fleets

“The only way for fleets to become more fuel efficient and report better is through having the right data readily available at their fingertips,” says LaRosa. “You just can’t get that with a corporate credit card.”

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