

Level III **data**

**A fleet manager's
fundamental tool**



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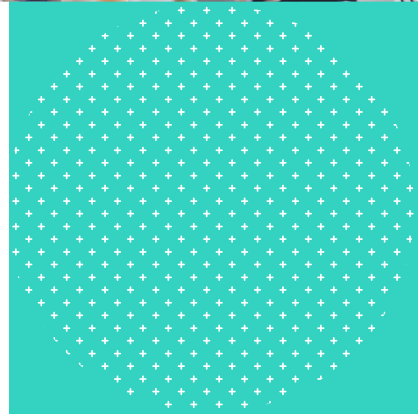
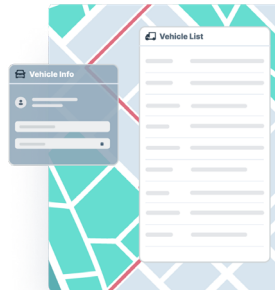
What is Level III data?

Data is the most important tool in a fleet manager's toolbox. Knowing how much is being spent and what's being purchased 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 made up of enhanced transaction details that help 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 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 nonprofits identify taxes for exemption
- ▶ How enhanced data can streamline operations and reduce costs



**Approximately 0.2% of transactions do not include Level III data as reported which is primarily due to manual transactions or other anomalies that may occur when the merchant sends the transaction data to WEX.*

Level III means a clearer paper trail

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

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 details about transactions including merchant type, fuel grade, and sales tax. Most corporate credit cards capture at least Level II line item detail.

However, Level II has its limits as well. Most Level II compatible fueling stations can only prompt for basic information. That's 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 those few that provide card 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, providing transaction-level information on who purchased what, when they purchased it, and how. Proprietary fleet cards like those offered by WEX® have their own back-end networks, allowing the capture of 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 capture at locations where bank cards only collect Level II data. Merchant locations that are compatible with bank card Level II data enable WEX's Level III data — because WEX works with each merchant to update its specifications. WEX Level III software collects Level I and II details, as well as additional data points, including vehicle ID, driver ID, odometer reading, etc. (See Figure 1).

ACCOUNTABILITY — INFORMATION CAPTURING CAPABILITIES — SAVINGS



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With Level III Data, you're in control

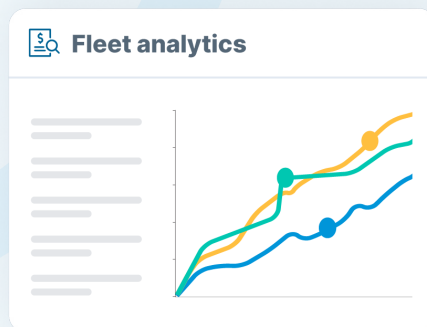
With this level of data, controls can then be put in place to decline a transaction when a customer's parameters are not met. When drivers swipe their fleet cards at a Level III station, the point-of-sale device prompts them to enter certain information (i.e. driver ID and odometer reading). This information, collected before a purchase is authorized, enables managers to know in real-time exactly who is spending how much money to fuel each vehicle, what is the cost per mile, and what is the cost per gallon of the purchase. This is all achieved 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. With Level III data, large fleet management avoids what could be 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," said 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 percentage of merchant locations offering Level III data within a given network is a key factor to consider when selecting a fleet card vendor. WEX requires Level III data transmission capability of all of its accepting merchants, thereby providing you with greater assurance that you will receive the detailed data you need. Fleets that use the WEX card receive detailed information such as product type and description, fuel grade, cost per gallon and sales tax on 99.8%* of transactions.

That Level III data is included in standard and custom reporting. Some of our competitors claim 100% Level III data capture; however, they achieve this percentage through site lockout on their non-Level III locations. Locking out these sites decreases the number of locations available to your drivers.



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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 only fuel purchases, 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 transaction would be declined.

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



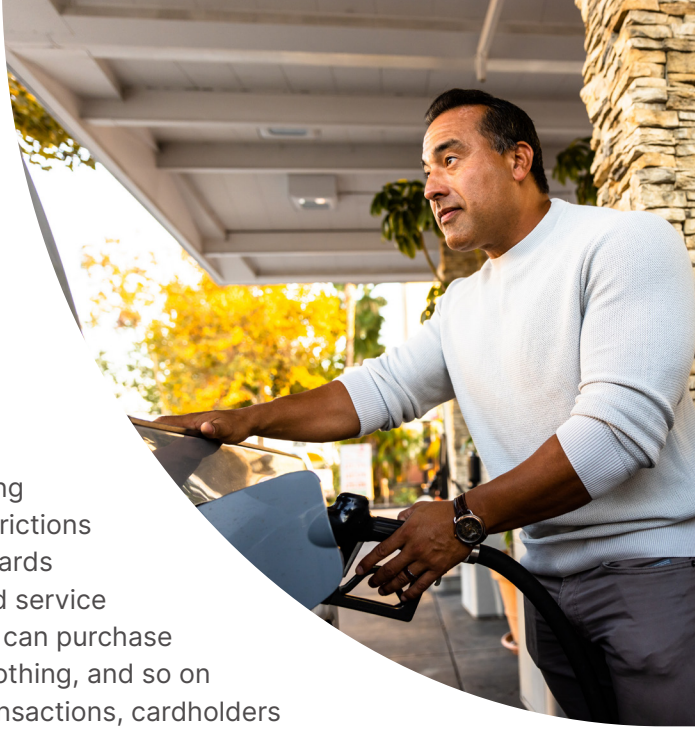
Figure 2



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.

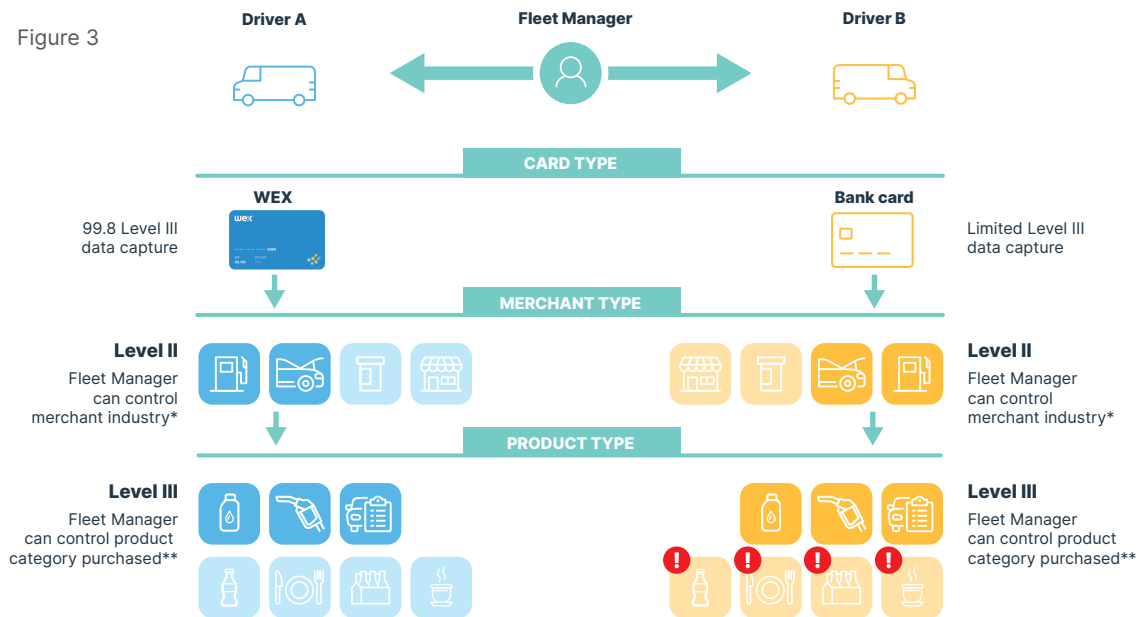
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The benefits of a fuel card over a credit card



Unlike fleet cards, corporate credit cards do not offer purchasing controls based on product category or timing parameters. Restrictions are instead 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, and so on (See Figure 3). With nothing preventing 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



* 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 the credit card 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.

Fleet managers using bank cards for fleet purchases quickly discover that they are using a platform built for general consumer use. These bank cards have a limited level of control over purchases, and cannot be tied back to specific drivers and vehicles.

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Better fleet management for commercial and government fleets

Managers can exploit the richer level of detail captured by Level III data to facilitate smarter and more efficient fleet operations. For example, driver IDs 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 increase visibility into 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,” said 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, as it provides tax exemption and reporting information for tax recovery efforts. Gallons and fuel type data are inherent in Level III data as well. With those data points, in most cases, the card provider, fleet manager, or their merchants can provide fuel tax exemptions or reporting information to qualified fleets. The federal excise tax on unleaded gasoline is 18.4 cents/gallon alone, and the average state and local taxes are 24.1 cents/gallon.

The additional controls available with Level III cards allow reporting to be streamlined and help capture savings, enabling agencies to make the 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.



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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 data 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 IDs, 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, and 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 be authorized, thus preventing the card's use in case of loss or theft. A typical corporate credit card, on the other hand, requires no additional verification — it's simply tap-and-go.



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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," said 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."

Furthermore, 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 data.

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Conclusion

Level III data offers the right data in the right way. Managers of larger fleets can especially 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 nonprofit fleets
- › Reduce fleet card fraud and misuse
- › 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,” said LaRosa. “You just can’t get that with a corporate credit card.”