Efficient fuel purchasing

Managing fuel price fluctuations

Fuel prices continue to consume the largest portion of a motor carrier's operating expenses. Fuel is a large, necessary, and ongoing expense that if not strictly controlled, gives carriers little leeway to continue functioning profitably.

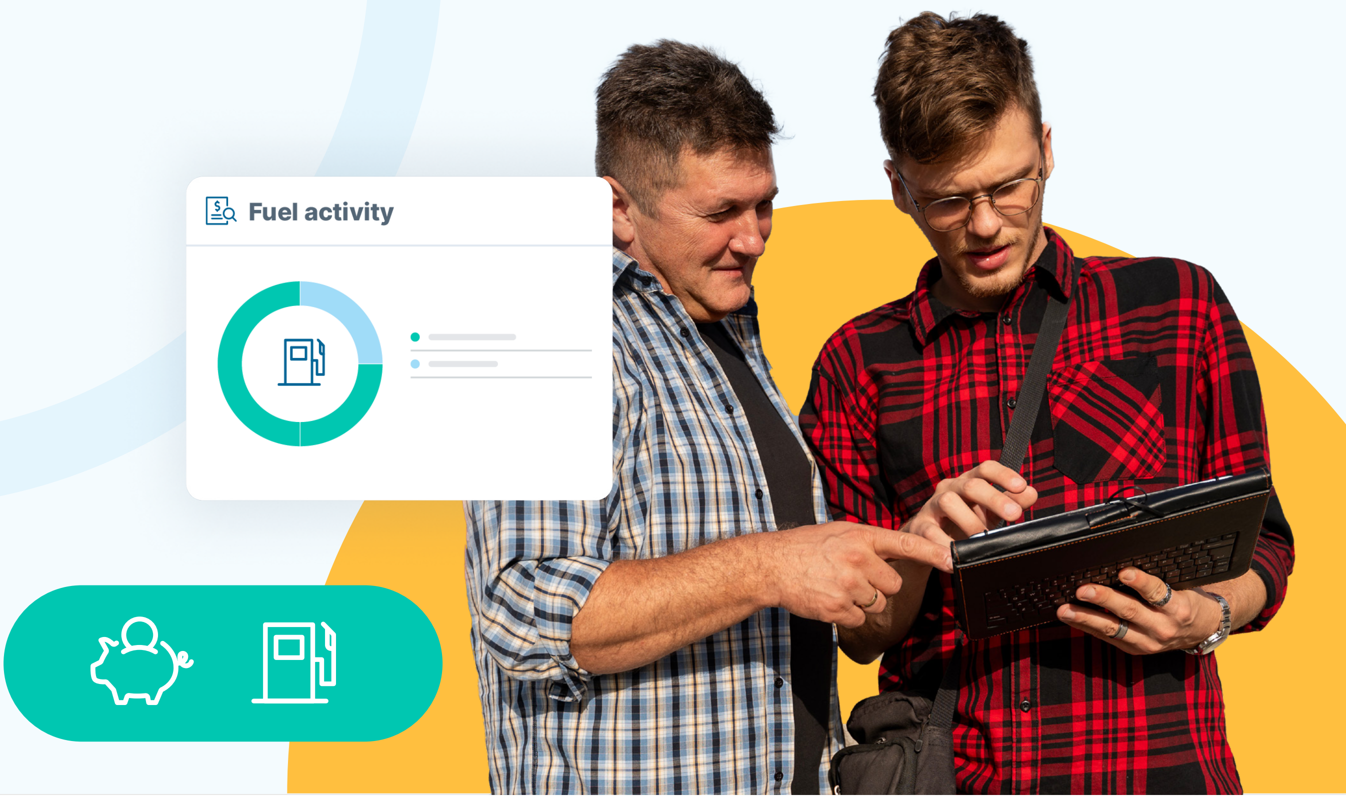
Diesel prices seem to go up and down faster than a playground teeter-totter, leaving the carrier in a lurch as to how to budget fuel expenses for the foreseeable future. Sure, for the most part, prices have been down recently, but it only takes a troubling event elsewhere in the world, whether it be an economic recession or military conflict, to send oil prices — and subsequently diesel prices — spiraling upward without notice. And for an industry that consumes about 125 million gallons of fuel per day, an increase of just one penny creates a big hit to the bottom line.[1]

The good news is that there are tools available to help carriers best manage fuel expenses. As a result, fleet managers can spend less time worrying about miles per gallon and more time concentrating on their primary mission of economically and safely moving their customers' freight from Point A to Point B.

Top considerations when developing your fueling strategy

For carriers not actively involved in a fuel management program, there are several issues to consider.

Depending on how the fleet is structured and what its business model might be, the carrier may conduct 100% of its fueling at retail locations. If it's an over-the-road fleet, the carrier's trucks will be stopping at major truck stops across the country. If it's a smaller fleet, the carrier may be fueling at large convenience stores that carry both gasoline and diesel. Or, the carrier may have a 10,000- or 20,000-gallon depot tank at its terminal and are mostly fueling there.



Considerations when fueling at retail outlets

For carriers that have all or some subset of fuel being purchased at retail outlets, there are plenty of advantages that they could benefit from with the right fuel management solution; for example, negotiated discounts with the larger truck stop chains. Rather than paying the posted retail price, the carrier has the opportunity to pay a discounted rate.

Another advantage would be fuel optimizing — carefully choosing when and where the carrier fuels. For example, for carriers going into California through Nevada, it makes sense for them to stop in Nevada before they go into California.

Recently, the average price of diesel in Nevada was $4.082 a gallon. Just one state over, in California, diesel was selling for $5.324 a gallon, a price difference of more than a dollar.[2]

Fuel planning based on carrier routes

As part of your fuel management program, fleet managers would study the carrier's primary routes and plan an "in-network" list of truck stops where the carrier has negotiated discounts, and drivers would be instructed to use those truck stops. Your fuel card would work at any truck stop, but your fuel card provider sets up alerts and reporting features that tell a fleet manager which drivers are adhering to directives and which are not. There may be a reason drivers are using out-of-network truck stops, but the alerts allow the fleet manager to ask questions such as:

- Is this a driver training issue?
- Do we need to modify our network location list?
- How do our purchases compare to the national Department of Energy average?

Using available fleet card data to optimize fueling strategy

A fuel management program gives a fleet manager all the data needed to make efficient fuel purchasing decisions. Fleet managers can get reports from the driver or the terminal. A carrier could have 10 different terminals and eight of those terminals are performing well while the other two are not managing fuel costs well. Data from your fleet card provider will help you make recommendations to bring those two terminals into compliance with company standards.

For carriers, the beginning of a fuel management program would include providing an analysis of how the carrier is handling fuel purchases today. The analysis might look at 10 different routes the carrier is running, show them how their purchases compare with the DOE average, the most cost-efficient locations along those routes to purchase fuel, and the potential cost savings, whether it be $1,000, $2,000, $3,000 a month — or more.

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› Manage bulk fuel tank inventory and optimize supplier management

For companies with bulk fuel tanks, a fuel management program will manage inventory levels. Take, for instance, a company that can't buy fuel for a while. A fuel management program will enable a carrier to hold off on purchasing bulk fuel until the tank is either going to run out or the market has bottomed out. Fleet managers do this by carefully monitoring fuel use on any given day of the week and at any hour of the day. That allows the company purchasing the fuel to take advantage of anywhere between a two- and 20-cent savings per day. Multiply 20 cents by 8,000 gallons and it's easy to see why a solid fuel management strategy is important.

Fuel management program advisors will work with suppliers that the carrier is already using. If your company has a very limited base of suppliers, your fleet card provider can introduce you to additional suppliers, all to ensure you get the best price possible.

Since fuel is a very complex and volatile product, its purchase must be different than that of everyday staples, such as bread and milk.

With fuel, there are all kinds of federal, state, and local taxes, and even underground storage fees that can make the bulk price of fuel vary — sometimes slightly and sometimes greatly — depending on where it's purchased. What's more, if one supplier happens to have more fuel than they are allowed to store, they may have to temporarily lower the price because they have more fuel coming down the pipeline from the refinery. By using multiple suppliers instead of just having a "go-to" supplier, fleets can take advantage of competition.

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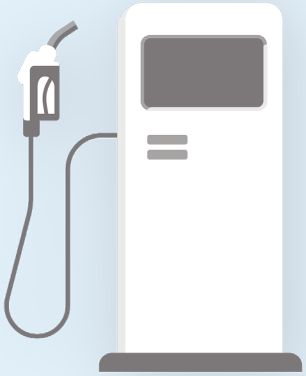

With fuel, there are all kinds of federal, state, and local taxes and there are underground storage fees that can make the bulk price of fuel vary — sometimes slightly and sometimes greatly — depending on where it is purchased. What's more, if one supplier happens to have more fuel than they are allowed to store, they may have to temporarily lower the price because they have more fuel coming down the pipeline from the refinery. And by using multiple suppliers instead of just having a "go-to" supplier, fleets can take advantage of competition.

Look for a fuel management program that offers all of the services necessary for a transportation entity, whether public or private, to maximize fuel efficiency. WEX's fuel management programs are tailored to help entities that need help managing fuel issues. This runs the gamut from retailers who are selling the fuel to fleets that are using it.

The program's reach is expansive, encompassing 95% of U.S. fuel retailers.

With diesel prices in constant flux, it's easy to see why a fuel management program is a must to ensure a fleet's profitable bottom line.

1. https://www.eia.gov/energyexplained/diesel-fuel/use-of-diesel.php
2. https://gasprices.aaa.com/