The closed-loop network:

with controls, comprehensive data, and real-time alerts, keeping fraudsters at bay

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Executive summary

Imagine this: You're a fleet manager responsible for a large operation, and you're battling the effects of fraud and misuse. It's not just major theft—it's the daily headaches: unauthorized purchases, skimming, manipulated fuel logs, drivers idling for a long time, drivers purchasing extra goodies in the store, and drivers unable to fuel up when they need to. These issues chip away at savings, reduce productivity and efficiency gains, and create additional operational expenses for the company. You're stuck in a difficult balancing act. You need strong fraud controls to prevent misuse, but overly restrictive measures block legitimate transactions, stranding drivers and causing costly delays. You need visibility, but sorting through endless data without actionable insights is time-consuming and frustrating. You feel like you're always reacting, never getting ahead.

Fraud protection in a modern era

You're updating your accounts payable process to make supplier payments faster, more secure, and fraud is on the rise across industries, including the fleet industry. To stay ahead, fleet managers need to have access to more information than ever before about the operational expenses of their fleet. This means paying close attention to, for just a few examples, the cost of fuel, the place where fuel is purchased, the patterns of their drivers' behavior. Keeping a close eye on the data help fleet managers avoid fraud, which is crucial, while also generating more efficient operational practices. Bottom line: if you're a fleet manager, you need access to data. One way to maintain security, and to easily access your fleet's data, is through a fleet card on a closed-loop network. In the following sections we will explain what that means, and how it will improve your business.

The impact of fraud on fleets

Fraudulent activity directed toward fleet businesses is becoming more sophisticated, harder to detect, and more costly for businesses. There are two types of fraud your business could be facing. The first kind of fraud is internal: drivers are the bad actors doing things like fueling personal vehicles, or purchasing personal items with their fleet card. Then there's external fraud which involves criminals outside your business doing things like intercepting card numbers and prompts. It's not just about financial losses; every fraudulent transaction creates operational disruptions, drains resources, and risks reputational damage. Five to ten percent of a fleet's annual fuel consumption is now lost to theft or misallocation, and 12% of fuel fraud, including unauthorized fuel card use and skimming, can significantly erode the savings of fleet operations, with fraud rates reportedly up to 12% in 2024. According to research conducted by **CFO.com**, operations leaders estimate that 19-22% of their fleet spend is actively lost to theft and fraud.

What's fraud really costing you?

Let's break that down. If you're running a 1,000-vehicle fleet with $5M in annual fuel spend and a $10M total operating budget, here's what you could be losing:

$500k

lost annually to fuel theft and misallocation. This is from drivers filling up personal vehicles or misreporting fuel use. This number is based on 10% of your annual fuel spend.

$600k

lost annually to fraudulent transactions like card cloning, skimming, or unauthorized use by criminals outside your business intent on stealing from you. This is assuming fraud hits 12% of your $5M fuel budget.

$2.2 M

estimated total losses tied to theft and fraud across fuel, maintenance, and other operational costs. This is based on 22% of your $10M fleet operating budget.

These are real dollars, making a significant impact on your business's health and long-term sustainability.

Fraud drains more than your budget

When you look at the numbers we've highlighted above, it's pretty jarring to think about the impact fraud can have on your business. But that's just the beginning of the story. Fraud does a lot more damage than what we've calculated. Fraud wastes your time and that of your staff, it distracts your team, and it slows down operations. Without strong protection, you are left spending valuable time combing through reports and receipts, filing disputes, chasing reimbursements, and managing driver disruptions and operational delays.

Solutions

The value of data in today's fleet operations

The evolving role of data in fleet management

Today's fleet managers are stewards of operational efficiency, financial performance, compliance, and even sustainability goals. For that level of stewardship, data needs to be provided in real time and be presented as comprehensive, contextualized information to help managers understand not only what happened, but why, and how to respond. With the right reporting and analytics tools, fleet managers can proactively address fuel misuse, identify underperforming vehicles, reduce downtime, and forecast future needs.

But not all data is created equal. The value of insights depends on the quality of the data behind them. That's where closed-loop payment networks come in. There are different levels of data offered. By capturing transaction-level data at the point of sale—regardless of merchant participation—closed-loop systems like WEX's provide a level of transparency and precision that traditional bank cards simply can't match.

As fleet management grows more complex, the role of data is evolving from a back-office function to a strategic growth driver. Those who harness it effectively will both improve daily operations and at the same time gain a competitive edge in a rapidly changing marketplace. In other words, data allows fleet managers to control spend and limit fraud, while optimizing their fleet operations.

What are the different levels of data offered by fleet card providers?

In the world of payment processing and fleet management, data is categorized into three levels—Level I, Level II, and Level III—based on the depth of information provided with each transaction. **Level I data** includes only the most basic transaction details like total purchase amount, date, and merchant name. **Level II data** adds more detail, like tax amounts, customer codes, and purchase order numbers. **Level III data** goes deepest, offering line-item detail. With Level III data you get product descriptions, quantities, unit prices, and freight costs. This highest level of data allows for the most sophisticated granular tracking, auditing, and cost management.

What is a closed-loop network and how does it benefit your fleet?

Defining open-loop vs. closed-loop payment networks

How is all this data generated? To understand the way the data is delivered to you, you must have a sense of the network that captures and delivers your transaction information. A **closed-loop network** refers to a payment system in which the card issuer, payment processor, and merchant network are all part of the same system. This differs from an **open-loop network**—such as those run by traditional banks or credit card companies—where multiple intermediaries handle the transaction, often resulting in fragmented or delayed data.

Why does this distinction matter?

Because when it comes to managing a fleet, access to data is everything. With a closed-loop system, every transaction is captured directly at the point of sale—regardless of the merchant—ensuring 100% data accuracy and comprehensiveness. That includes line-item details such as fuel type, number of gallons, price per gallon, and time and location of purchase. Open-loop systems, on the other hand, may only provide basic transaction summaries and can't guarantee line-item detail or enhanced reporting. The open-loop platform on a regular basis reports transactions with some merchants as "Misc," "Misc Other," and "Other Misc." Unspecified transactions are a real source of pain for fleets trying to ascertain what was purchased.

Beyond fuel type, number of gallons, price per gallon, and time and location of purchase, a closed-loop network can also capture line-item details such as:

Odometer readings
Crucial for tracking mileage, calculating fuel efficiency, and identifying anomalies.

Vehicle ID and Driver ID
Ensuring every transaction is tied to a specific vehicle and the authorized driver.

Specific product categories
Beyond just fuel, this includes precise details for non-fuel purchases like DEF (Diesel Exhaust Fluid), specific oil types, maintenance items, or car wash services, often categorized by **NACS product codes**.

Transaction type
Distinguishing between a fuel purchase, a maintenance transaction, or a vehicle wash.

Pump number
Providing even more granular detail for auditing specific transactions at a location.

Customer-specific reference numbers or purchase order numbers
If integrated with a fleet's internal procurement systems.

In practical terms, a closed-loop network is designed to give fleet managers control in fuel spend, capture line-item details, transform data into actionable insights, detect transactions that don't meet your guidelines, and effectively minimize the risk of fraud. It's the difference between managing your fleet with guesswork and managing it with confidence. In addition, closed-loop networks enable more advanced features—like customizable spending controls, real-time alerts, and automated reporting—because they're built specifically for fleet operations, not retrofitted to them. That purpose-built design ensures that the tools you rely on are aligned with the complexities of fleet management, from compliance and budgeting to fraud prevention and growth planning.

A closed-loop network is more than just a payment system—it's an engine for visibility, control, savings, and strategic decision-making driving compliance and accountability. And for fleet businesses focused on growth, that makes all the difference.

The two main features a closed-loop system offers that set it apart for fleet managers are:

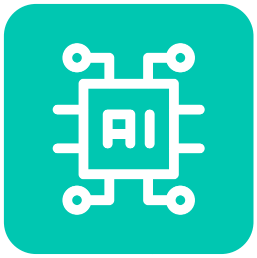
The ability to block convenience store purchases, even when drivers pay for fuel inside (something open-loop cards can't do).

The detailed, itemized transaction reporting with Level III data for enhanced visibility and decision-making.

Embrace AI, technology, and the fleet card providers at the forefront of innovation

In this era of artificial intelligence and machine learning, we are in the middle of a fleet management technological evolution. As a fleet manager, you'll want to ensure your fleet card provider is investing in new technologies that are always ahead of emerging bad actor threats. Your provider should act as a silent guardian for your business, learning your fleet's patterns to identify and block suspicious activity before it happens.

AI and machine learning to protect from fraud and guide smarter business decisions



AI-powered fleet tools analyze an immense volume of continuous data signals. These signals include purchasing history, fuel locations, and transaction times. Through sophisticated behavioral pattern analysis, AI optimizes for expected velocity, geographic distances, transaction amounts, and timing, allowing for precise detection of anomalies. The system continuously learns your fleet's unique patterns, groups similar behaviors, and flags emerging patterns that deviate from norms. To gain an operational edge and proactively block suspicious activity before it happens, you need to partner with a fleet card provider offering advanced AI-driven systems.

AI-powered scoring evaluates risk in real time and spots any potential fraud. When fraud is spotted, you receive an alert from your fuel card provider. Your card program should be flagging unusual fill-ups, vehicles in the wrong region, and any kind of unexpected activity. You want a system that notifies you immediately when fraud is detected.

Enhanced modeling for fleets with integrated telematics

One of the powers of AI is its iterative nature. As your fleet card provider collects your data, AI is learning and adapting how it responds based on the collected Level III data. AI models constantly refine how they work through continuous feedback from the data. When telematics data is integrated into your fleet card provider's AI model, your fraud detection models improve significantly. Your fleet card provider should have the ability to pair your telematics technology with its internal AI engine.

Smarter every second: How data fuels the best fleet card models

AI learns from the massive volume of transactions flowing through a fleet card system, delivering faster, smarter fraud protection. The more data flowing through your provider's tools, the better the machine operates. This provides those partnering with the larger, more established fleet card companies with a distinct advantage: stronger fraud models equal a protected fleet that's on the road reducing expenses and increasing profitability. With the best fleet card providers, you will also get clear visibility into your fuel spending. This comes in the form of customized reports, specific to your business. This level of detail will help you identify potential fraud and driver misuse, while also highlighting opportunities for you to improve operational efficiency.

Conclusion and next steps

To optimize your fuel card data, partner with a leader in fuel payments

With over 40 years of expertise in fleet management, WEX delivers secure, efficient, and reliable fuel payment solutions for fleets of all sizes. Operating with $1.4 billion in revenue from our Mobility business in 2024, trusted by more than 600,000 businesses worldwide, and serving 19.4 million vehicles, with more than 30M+ transactions processed monthly, WEX has everything you need to parse the data and use it to benefit your business. With the WEX fleet card your drivers also have access to 95% of all U.S. fueling stations and 45,000 service locations nationwide. Enjoying 99.8% transaction reliability due to WEX's Level III data, your fleet will be secure, in the know, on the road, and driving revenue for your business with the utmost efficiency and effectiveness.

WEX: Your trusted partner in smarter fraud protection

WEX provides proactive fraud protection, reducing losses and enhancing control for fleet managers nationwide. WEX customers enjoy the combined power of our AI-driven machine learning paired with a dedicated fraud team. Our fraud team uses vast industry data to identify trends and adapt to emerging threats. This provides your business with data-driven insights to help you keep your business moving, growing, and making money.

Fewer than 1 in 12,000 WEX transactions are fraudulent. This represents fraud protection for all but 0.01% of all transactions WEX processes. With WEX's deep industry expertise and proven solutions, WEX understands your fleet's unique fraud challenges better than anyone. With decades of industry experience, WEX has a deep knowledge of fleet payments and fraud prevention, with a dedicated team of experts constantly evolving strategies as trends emerge.

WEX is more than just a provider; we're a partner. We work alongside you to combat fraud, offering expert guidance and ongoing innovation to keep your business protected. The result? Reduced loss, fewer disruptions, and more control over your fleet's spend.

Learn more and connect with a WEX representative today!
WEXinc.com

Sources: **CFO.com**

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