

Guest Column: Fueling The Success Of The Fleet

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July 31, 2008

Rapidly increasing fuel prices and price volatility are not short-term economic variations; they are new norms that are affecting the fleet industry now and will for years to come. With fuel costs reaching record highs, fuel is now a greater percentage of overall operating expenses. Therefore, managing fuel processes in order to control costs has become imperative for fleet executives across the country.



In order to properly streamline a company's fuel processes, fleet owners should evaluate a comprehensive approach to fuel management that simultaneously provides security of supply and improves the economics of fuel buying and consumption. The five key areas that should be examined are the following:

- Spend analysis – determine market-by-market, site-by-site and route-by-route
- Benchmarking – baseline and compare to published market metrics and established industry best practices
- Supply strategy – balance supply security with cost and margins
- Contracting – coordinate operations, accounting and legal teams to maximize Opportunity
- Execution – automate to ensure rigorous compliance to the fuel program.

The first step in the process of managing fuel costs is documenting and interpreting spending patterns. Fleet owners should fully review purchase volumes, geographic distribution of demand, the fuel system infrastructure, fuel taxation regulation by location, and perform a detailed review of invoice line items for accuracy. Once these details are understood, overall performance can be assessed compared to established industry averages. By establishing this baseline, the financial opportunity relative to improvement can be objectively measured. However, developing accurate and effective baselines is a multi-faceted process. One should also compare detailed fuel costs (by time series and geographies) to published fuel price index from OPIS and Platts.

This first step analysis indicates the potential saving opportunity, but not how to capture the information. The next step is to define the components of the overall supply strategy. When developing a supply strategy, it should ultimately yield a portfolio of alternatives that is mapped to business needs, logistics and geographic infrastructure. Depending on the size and location of fleet assets, changing one's business model to acquire bulk storage or becoming a licensed fuel distributor can have significant positive financial

impact. Regardless, a rigorous evaluation of retail, wet hose, bulk and hedging strategy is required to create a supply portfolio that can adequately capture the available savings opportunity.

Once supply portfolio options are understood, a coordinated approach to contracting will yield the lowest cost operational result. First, you have to ensure that procurement have involved operations, accounting and legal and allow adequate time for the overall contracting process. Centralizing contracts with suppliers provides greater negotiating power and performance visibility. In addition, specific mandatory business process requirements can be specified as minimum requirements to suppliers. These requirements can provide the basis for subsequent automation steps and process efficiency gains. For example, electronic exchange of credit, payment and bill of lading information can facilitate business process automation with back office solutions.

Finally, focus on execution once the supply portfolio has been established. Implement technologies and processes to minimize fuel sourcing costs, optimize routes, and ensure billing accuracy. A comprehensive approach to automation will marry solutions at both a strategic and tactical level. Fuel management solutions enable sourcing at the lowest cost by geography among suppliers and automate financial reconciliation and tax compliance. Route optimization solutions minimize mileage and can suggest least cost refueling options along a route. In developing an overall automation plan, it is important to map the value delivered by a solution back to both the opportunity baseline and supply portfolio options.

In summary, the fleet industry is faced with a new reality of high fuel prices and unprecedented price volatility. However, opportunities do exist to capitalize on the market shift through a comprehensive approach to fuel management. By following a rigorous step-by-step approach to evaluation and implementation, margins can be gained to provide true competitive advantage in an increasingly difficult environment.

About FuelQuest

FuelQuest provides on-demand, web-based supply chain management and tax automation technologies for suppliers, distributors, buyers, and traders of petroleum products and other energy commodities. FuelQuest solutions deliver operational and financial value to over 750 customers. These customers include leading global oil companies, international retailers, shippers and government entities. FuelQuest solutions help customers manage the complexity, regulation, and market volatility of billions of litres of unleaded and diesel fuel annually. ZyTax solutions process tens of billions of dollars of motor fuels excise taxes per year. FuelQuest has offices in Houston, Texas and Manchester, England. To find out more visit www.fuelquest.com

About Matt Tormollen

Matt is the Executive Vice President for the Fuel Management Systems division of FuelQuest. He is based in FuelQuest's corporate office in Houston and is responsible for FuelQuest's fuel management business including all Fuel Management System (FMS)-related product and service offerings. He has more than 22 years software industry experience which includes more than a decade of executive level management within successful venture-funded businesses. Matt has a proven track record for delivering highly valuable, customer and market driven solutions that propel company growth. Prior to FuelQuest, he led market and solution development efforts at Pavilion Technologies,

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