Case Study

Major Oil Company Seeks to Reduce Program Expenses

- Elimination of over $20 million in program expenses
- Launch of Universal Business MasterCard
- Expansion into new sales channels, including field sales and telesales

Company Profile

Geographic Focus: United States and Canada

As one of the largest integrated energy companies in the United States, this major oil company's operations span virtually every facet of the energy industry: from production and transportation of crude oil and natural gas, to producing geothermal energy and developing biofuels. It employs a global workforce of over 50,000.

Decision to Level the Playing Field

In the late 2000s, the company found itself processing its fuel card portfolio in-house on a dated system with very large operating and sales expenses. It had not launched a new commercial product or program in many years, with the existing private label fuel card offering a limited set of features and functionality. As a result, the company was unable to compete on the same playing field with other fleet card programs.

The company was still expending over $20 million annually to support its commercial fuel card programs. As such, the fuel card portfolio was a major cost center for its domestic operations. The company was looking for a partner that could guarantee a reduction of these expenses, while also providing the industry expertise and know-how to develop new products and programs to grow its commercial fuel card portfolio. It was imperative for the oil company to step up its game to provide payment products that attract and retain customers, marketers and retailers alike.

Why FleetCor?

The company issued a Request for Proposal (RFP) in search of a partner to outsource its commercial fuel card portfolio. After reviewing proposals from major banks and fleet providers during a six-month RFP process, the company ultimately made the decision to partner with and sell its commercial fuel card portfolio to FleetCor. The chief determinants included:

- With experience managing close to 40 conversions, FleetCor ensured an accelerated three-month conversion timeline
- Costs to support the commercial card portfolio—including costs to process and service the accounts—were nearly eliminated
- Through the portfolio acquisition, FleetCor took full ownership of the portfolio, including bad debt exposure
- Other major oil companies have entrusted FleetCor to acquire and manage their commercial card portfolios

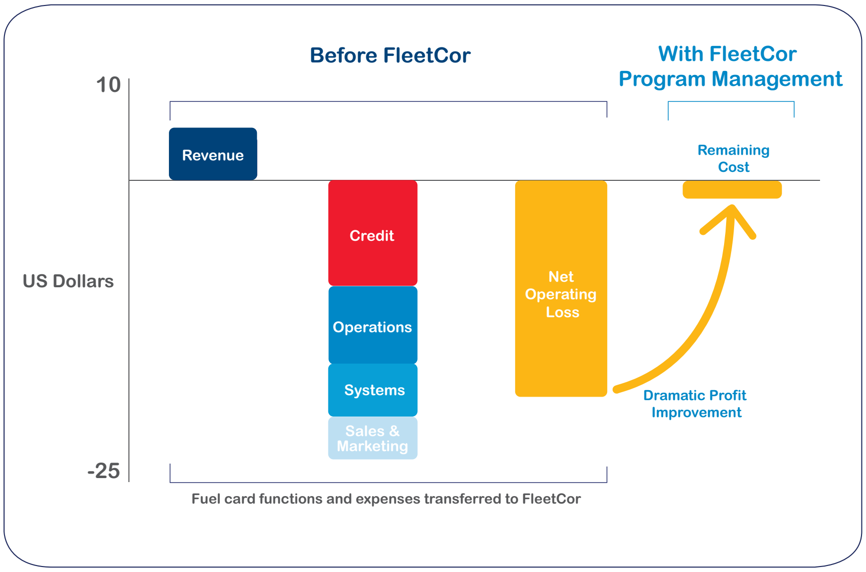
Accelerated Migration of the Commercial Portfolio

FleetCor took ownership of the oil company's commercial portfolio. Within the agreed upon three-month timeframe, FleetCor migrated all commercial card accounts to its processing system. Project management and IT staff from both FleetCor and the major oil company worked together on the conversion process to ensure as smooth a transition as possible. FleetCor was able to quickly identify and correct unanticipated problems to minimize customer impact. Despite the quick three-month timeline, commercial fuel card volume remained steady throughout the conversion.

Business Results Achieved

At the time of conversion, the major oil company was using primarily direct mail and inbound telemarketing to generate new accounts, which yielded approximately one and a half to two cards per account. Since acquiring the portfolio, FleetCor created a team of field sales and outbound telesales representatives. Through these new sales channels, the FleetCor team grew the average number of cards per account to six. In addition, as FleetCor signed-on larger fleets, monthly fuel consumption per account increased 25 percent, from 200 gallons per month to 250 gallons per month over the past year.

FleetCor launched the company's Universal Business MasterCard, making the company's product suite one of the most competitive in the fleet card industry. Through a tiered rebate structure, the universal card allows customers to earn credits for fuel purchases at all the oil company's retail locations in the U.S.



The universal card product is already showing signs of growth, as the number of active accounts has grown nine percent year-over-year since being upgraded relative to those accounts that chose to continue using their proprietary card. In addition, universal accounts are already twice as large as pre-conversion proprietary accounts, averaging four vehicles per account.

In the end, FleetCor was able to virtually eliminate the company's commercial card portfolio expenses, without losing volume during the conversion, and introduced a new universal card product, providing added feature functionality to the company's product suite.