



Visa Consulting & Analytics (VCA)

Fleet and fuel – the shift to mobility solutions

Making sense of payment opportunities, from new product selection to migration

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The state of the Fleet and Mobility industry

Companies and government entities with fleets of vehicles, whether they are passenger cars for employees and contractors, light vehicles for last-mile transport, or heavy vehicles for commercial transport have long had, and continue to have, common needs when it comes to fuel-related purchases:



- They need to efficiently manage their cashflow and liquidity and simple administration with a single statement/invoice;
- They need the ability to view and control driver spending;
- They need easy, low cost and secure payment solutions;
- They want to provide employees with sustainable mobility solutions that include alternatives to automobiles;
- They need to adhere to new regulations, including the ability to report on carbon emissions, and take advantage of tax incentives; and,
- They seek opportunities to protect against fraud losses.

Fuel card history

Fuel cards, payment instruments specifically designed for the purchase of fuel for transportation, were first introduced in the 1960s for both consumers and for businesses. Eventually, their functionality expanded to allow for the purchase of ancillary goods and services (e.g., vehicle maintenance and items sold in petrol stations and truck stops). The benefits of these cards were typically discounts on fuel, but acceptance was very limited. Starting in the 1980s, when computers and magnetic stripe readers allowed for better and faster control and reporting of transactions, transportation and energy companies introduced fleet cards, which were fuel cards that included the ability of companies managing fleets of vehicles to add spend controls, limit fraud, ease issuance for their drivers and to provide controlled cash advances to drivers.



Present day fleet card usage

Today, fleet cards are still the predominant method by which fuel is purchased by most transportation companies. However, there is a rapid shift now taking place in the industry, driven by a variety of factors:

New research conducted for Visa in Europe with fleet managers and drivers shows that the industry is at a critical juncture:¹

- Though the transition to EVs has not been as fast as expected, 81% have nevertheless already implemented changes to their fleets, with 45% having moved at least partially to electric or hybrid vehicles.
- 14% of fleets now are entirely composed of non-fossil fuel powered vehicles and fleet managers expect that, by 2028, this will grow to 57% of all fleets.
- And, while 8 in 10 fleets still use fossil fuel cards, 73% of these fleets plan to transition to sustainable alternatives within five years.
- 4% of fleet drivers believe the ideal payment solution will be either a mix of plastic and virtual cards or (increasingly) one that is only a virtual card.



- Sustainability regulation is being implemented across Europe, as demonstrated by the European Commission's "Greening Corporate Fleets" initiative that aims to add an additional 11 million zero-emission vehicles by 2030 and 21 million by 2035. Also, the UK will now mandate EV chargers in new homes and office.² Recent PwC research found that 66% of EU companies have funds to invest in becoming more sustainable.³
- Fleet companies also need to capture line-item data from the merchant to manage and report VAT.
- Fleet companies are increasingly gathering and using data from a variety of sources, such as telematics, to understand patterns and behaviors to manage their businesses more efficiently. This data will make it easier for these entities, and large corporations, to monitor carbon footprint and stay compliant with the regulations and sustainability efforts.
- Meanwhile, fraud continues to be an issue in fuel payments. The impact of a few bad actors creating card copies or siphoning fuel can be quite significant, particularly given the small margins made on fuel volume.
- With increasing regulation, including CO2 reporting requirements and the planned phase-out of internal combustion vehicles, the electrification of vehicles and fleets over the next 15 years is now inevitable in Europe and North America, particularly for light fleet vehicles, creating complexity for traditional fuel cards.⁴
- By 2035, more than 50% of revenue will be generated by electric-vehicle cards and new business models in B2B mobility and financial solutions.⁵
- There is likely to be a significant rise in home/work charging and away from on-the-road charging.

1. Account Payment Specialists research for Visa 2023

2. <https://www.europarl.europa.eu/legislative-train/theme-a-european-green-deal/file-greening-corporate-fleets>

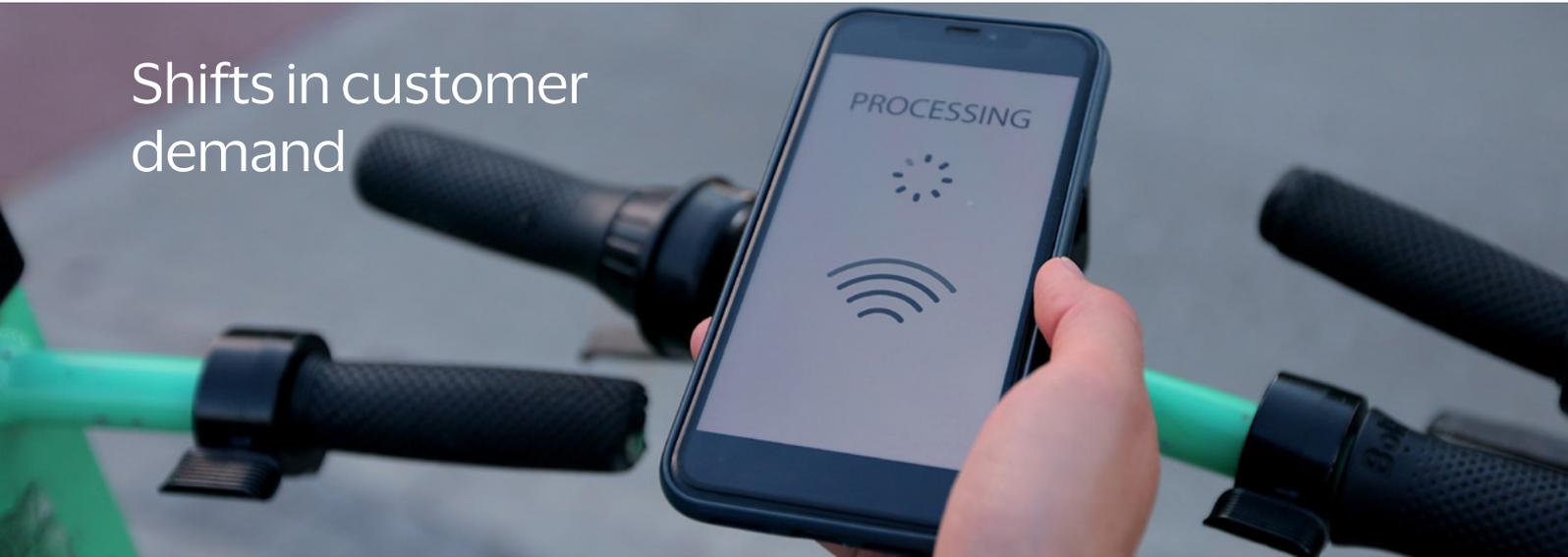
3. <https://www.pwc.com/gx/en/services/tax/publications/are-europes-businesses-ready-for-the-eu-green-deal.html>

4. <https://www.europarl.europa.eu/news/en/headlines/economy/20221019STO44572/eu-ban-on-sale-of-new-petrol-and-diesel-cars-from-2035-explained>

5. <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/business-mobility-payments-on-the-road-to-change>



Shifts in customer demand



With the changing environment, the customers of energy companies, who are increasingly “mobility managers” as opposed to dedicated fleet managers, have a new set of requirements. A closed-loop, magnetic stripe card is therefore no longer sufficient to meet their needs:

Customers are increasingly looking for a single physical card and single payment solution that supports fuel and non-fuel purchases, including EV charging, micromobility (e.g., E-scooters, E-Hailing, E-Bikes and ride sharing), food and parking;

- They want the ability to control the flow of their spend, with product-level controls and spending limits for both fuel and non-fuel purchases;
- They also want seamless and convenient payment experiences backed by the security of the EMV chip, with the flexibility of digital and mobile payment options like ApplePay and GooglePay;
- They seek mobility budget management and regulatory compliance capabilities; and,
- They seek the data and tools to enable their ability to meet these needs.

There are three unique customer segments within the B2B mobility space and each has specific demands unmet by closed-loop fleet card products:



1. Heavy fleet vehicles

- Currently, these typically fuel at specialized truck stations, but this may change with the advent of electric or hydrogen cell long-haul vehicles
- The top priority needs unmet by closed-loop solutions are related to increasing transaction security and supporting spend during the journey



2. Light fleet vehicles

- The highest priority unmet needs are support for fuel and non-fuel purchases, of which EV support will be critical
- With more variation in spend categories than heavy fleets, robust expense management and reporting is important to the finance and operations teams who seek a single portal to manage spend
- And these customers prioritize convenience with their payment experiences – contactless and mobile



3. Corporate and government organizations

- In many countries, government fleets are leading the way in terms of EV and mobility.
- The top priority unmet needs of this segment are payment support and expense management for fuel and non-fuel purchases – EV support is important, but multi-modal flexibility is more important.
- These organizations also seek convenience and seamless payment experiences.
- And to be compliant with increasing sustainability regulation, these customers are looking for an integrated solution that enables mobility as a service.



How can Visa help?

The market is evolving rapidly, and customers are now seeking better mobility solutions. Visa cards simplify the control of fuel and maintenance costs for fleets and can also facilitate additional travel purchases, offering a variety of benefits to customers, including:

- Cost reduction – one solution for all business needs and reduced need for emergency cash
- Real-time reporting in a single platform showing a consolidated view of transactions and behaviors
- Enhanced visibility and expense control
- A tool for VAT reporting and management
- Easier payment and reconciliation for drivers
- Enhanced spend control for fleet managers
- Easy integration to mobile wallets enabling last minute purchases

Visa Mobility Solutions offer five drivers of value to fleet card issuers:



1. Revenue generation

With Visa solutions, issuers can diversify their revenue streams by capturing non-fuel spend (e.g., vehicle sundries). Issuers can accelerate their time-to-market for key services like EV support or data management tools, without needing to first build those capabilities in-house.



2. Customer loyalty

Issuers can improve customer loyalty by offering convenient, frictionless and secure payment experiences. This will increase their share of wallet, allowing them to capture more value away from competitors. Issuers can also leverage Visa's enhanced data collection to develop a stronger understanding of their clients. This will enable more targeted sales and marketing efforts that will help deepen customer relationships and retain customers.



3. Keeping up with innovation

Drivers and fleets will need solutions that support the coming move of payment capabilities into vehicles, – open-loop programs can uniquely meet this challenge. Additionally, with virtual card solutions, Visa can offer instant issuance so that fleet operators don't have to wait for a new physical card to be delivered. Future mobility solutions will also need to capture at home charging to remain relevant.



4. Operational efficiency

Visa understands that managing a closed-loop, in-house solution can be a strain on resources – including talent, time and capital. In addition, building new capabilities in-house is particularly challenging today among tightening capital budgets and competing priorities. With Visa, issuers can increase their operational efficiency significantly by offloading IT platform, processing, fraud detection and security costs to Visa.



5. Risk mitigation

Finally, issuers can mitigate risks more effectively with Visa solutions. Visa's EMV technology can help reduce rates of card fraud, such as card copies. As issuers migrate to the open-loop system, they can leverage Visa's best-in-class network to ensure they do not take on any new security or fraud risk.



Card options to suit customer needs

Visa has two categories of carded solutions to meet these broad customer needs:

1. Open-loop solution

Cards designed with the potential to be used across Visa's global network. Unlike closed-loop products, issuers of this solution can offer virtual cards to customers. On the back end, all transactions are treated with advanced spending controls and reporting tools. Customers can also take advantage of Visa's robust prompted data tools and enhanced Level 2 and Level 3 data collection. Designed to enhance data fields in the transaction message and address fleet needs, Visa's Fleet 2.0 initiative will enhance the benefits of open-loop by providing the fleet management systems of clients with more definite product category level controls, further enhance data and the ability to obtain data more quickly for real-time business decisions.

- Open-loop cards are the best fit for light fleet, corporate and government customers who are looking for a single, convenient payment solution that is also supported by mobile payments. The expense management capabilities and product-level controls are provided on a single platform that can be integrated into their customer's systems, supported by Visa.

2. Mobility card solutions

Designed for employee mobility and offering an integrated door-to-door mobility offer, integrating public and private services, including EV, public transit, and micro, sharing and subscription mobility services, these cards have the same open-loop functionality and can be paired with additional mobility services, such as mobility budget management, HR integration tools, and sustainability reporting to delight customers and create 'stickiness'.

- Mobility cards are the best fit for light fleet, corporate and government customers who are looking for a holistic mobility solution that includes multi-modal transportation support, mobility benefits, and fit-for-purpose reporting capabilities.

Visa can support customers to size the market for propositions and to design and deliver a suitable mobility solution.



How Visa can help with migrations

Visa Consulting & Analytics (VCA) serves as a link to other Visa products, risk and marketing specialists, and subject matter experts. VCA has established a global Migration Center of Excellence, a deeply experienced team focused exclusively on assisting clients with migrations. In the past decade, VCA has helped issuers migrate hundreds of portfolios having millions of cards around the globe.

Migrate to peak performance

Consumers and businesses today have an abundance of choice when it comes to choosing a physical or virtual card product. VCA views migrations as a unique opportunity for card issuers to not only to launch a new Visa card, but to promote the new features and benefits of their product. VCA's migration ethos is based on the Power of the three P's – each 'P' signifies important aspect of successful Migration Journey.

Performance

- Analyze Customer Behaviour via Data Segmentation
- Deliver New Value Propositions
- Drive Digital Engagement and Seamless Customer Experience

Process

- Minimize any customer disruption
- Establish governance structure and task forces
- Ensure technical readiness

People

- Migration and Value Proposition Experts
- Customer Experience and Communication Experts
- Delivery Specialists

The success of your Visa migration will be determined by your customers' reaction, including their adoption of the new propositions, and their next spending activity. We care passionately about the nature of the customer's journey and the quality of the customer's experience, and Visa will help you to frame the right messages, deliver them in the right way, and make sure they stick.

A well-executed migration will not only increase customer engagement via strong activation of the new Visa card, but will also provide continued use of the product and ongoing digital engagement. In other words, it will boost short-term and long-term customer satisfaction and profitability.

Let us work together to migrate your new card business to peak performance.



Case study: A recent assignment for a leading UK-based issuer

VCA worked with one of the UK’s best-known names in commercial payments to develop a new customer value proposition (CVP), with a focus on improving its fleet-related solutions and giving it a sharper competitive edge.

The challenge

The client wanted to understand the business opportunity of improving its fleet and mobility payments proposition, and VCA set out to answer four key questions:

1. **What are the expectations of today’s customers for a best-in-class fleet and mobility proposition?**
2. **What features are needed to be successful in the fleet and mobility space?**
3. **What additional features could give the client a truly differentiating proposition?**
4. **What are the key revenue drivers and the extent of the business opportunity?**

The VCA approach

The VCA team devised a three-phased approach:

1. Discovery

Facilitate a series of workshops to identify the client’s vision for the proposition, as well as carrying out benchmarking and highlighting fleet and mobility opportunities through:

- Market landscape analysis
- Visioning workshop
- Commercial opportunity

2. Design

Produce a consolidated view of findings from across discovery phase that enabled a simpler way to understand which customer needs were already being met and which required further work.

3. Definition

Finalized a refreshed CVP recommendation for the fleet and mobility proposition with a high-level implementation roadmap and recommendations on which areas should be prioritized.

The deliverables

The client benefited from three key deliverables:

1. Market landscape analysis

The client was compared to its peers and the best-practice elements of CVPs that target the fleet and mobility segment were identified.

2. Visioning session

The client was enabled to think from the customer’s perspective and to determine what it wanted its proposition to be known for.

3. Commercial analysis

The client was provided with an in-depth view of the commercial opportunity in the fleet and mobility space, including key gaps that needed to be filled.



About the Visa Fleet and Mobility team

The Visa Fleet and Mobility team is a group of dedicated subject matter experts who understand the specifics of the sector and where it is headed. We work with colleagues from across Visa, including Visa Consulting & Analytics, to enable clients to succeed in the fuel and mobility space.

Together, we are actively working with clients worldwide to enable the shift in mobility, meet new compliance requirements, and migrate to more sustainable modes of transport. With deep industry knowledge, a range of proven solutions, and a network of established partnerships, we provide a holistic service. And, as new technologies become available and the energy transition gathers pace, we are spearheading new initiatives, such as carbon reporting and in-vehicle payments.

We are therefore able to help clients navigate the complexities and capitalize on the opportunities in this rapidly evolving space:

Opportunity #1 Deploying value at scale

Given its global reach, Visa has a world-class capability to maximize the value you can get from your mobility solutions, including:

- Market-leading risk and fraud protection
- Seamless and digitally enabled solutions (e.g., customer onboarding, virtual assistance, etc.)
- Enhanced, Fleet 2.0 data capabilities
- Actionable data and insights

Opportunity #2 Accessing the latest innovations

Visa routinely identifies and invests in the latest technologies, solutions and providers, giving you access to continuous innovation, such as:

- Sustainable banking solutions with CO2 reporting (via our partnership with ecolytiq)
- Innovative fleet management platforms (via our partnership with Nexxt Digital)
- An in-house open banking platform (via our acquisition of Tink)

Opportunity #3 Unlocking new growth opportunities

Visa provides direct access to new verticals, use cases, and customer segments, for example:

- 700 Visa-enabled Tap to Ride contactless travel implementations are now live globally
- Support for all current and future payments use cases is automatically enabled (e.g., EV contactless acceptance, connected car, etc.)
- Customized open-loop solutions to meet emerging customer needs are routinely developed (e.g., mobility-as-a-service, employee benefits, government, etc.)

Opportunity #4 Applying deep payments expertise

Visa has deep experience in the fleet and mobility payments space, and has been behind many of the world's largest and most significant implementations:

- Fleet and mobility subject matter experts with proven experience of developing fit-for-purpose fleet solutions
- Commercial relationships with 13,000 financial institutions worldwide
- Decades of experience in orchestrating successful, large-scale customer deployments

For more information, please contact the Visa Fleet and Mobility team at: FleetEurope@visa.com





About Visa Consulting & Analytics

We are a global team of hundreds of payments consultants, data scientists and economists across six continents.

- Our consultants are experts in strategy, migrations, product, portfolio management, risk, digital and more with decades of experience in the payments industry.
- Our data scientists are experts in statistics, advanced analytics, and machine learning, with exclusive access to insights from VisaNet, one of the largest payment networks in the world.
- Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.

The combination of our deep payments consulting expertise, our economic intelligence and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.

For more information, please contact your Visa Account Executive, email Visa Consulting & Analytics at VCA@Visa.com or visit us at Visa.com/VCA

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