

**A Study on the Effectiveness of the Launch of LPG Retail  
at Convenience Stores and Understanding the Perception  
of Retailers and Consumers**

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## **Comment by the Faculty**

XYZ Ltd is a large private sector company that has entered the domestic market for LPG. In India, traditionally families used sources of biomass as cooking fuel. Slowly in urban areas consumers shifted to slightly better quality fuels. In due course the government introduced subsidized LPG as an alternative good quality and clean cooking fuel. Given the demand, vagaries of global market and infrastructural requirements for distribution, the Government of India modified its policy to encourage the private sector also to enter the arena of marketing of LPG to consumers. In the industrial segment this has led to intense competition while in the domestic sector private sector players are yet to make a big mark. Hence the study assumes significance in the light of opening up of various sectors hitherto reserved for the public sector to the private sector. It is also interesting from the perspective of retailing. The company has made an effort to distribute LPG cylinders through convenience stores. The concept has been formulated taking advantage of certain flexibility in the regulatory framework that allows retailing of LPG cylinders through convenience stores. The study would help in course correction given the novelty of concept. Given the decision-making context the student has made an effort to understand consumers' perceptions and those of the retailers. Often many studies of this nature ignore the opinions of retailers who play a very key role in the Indian distribution system for products. Appropriate research questions have been formulated. The research findings have helped in understanding the limitations, opportunities for improvement of this novel concept. It gives insights on retailer behavior often ignored in studies of this nature. The research also throws light on competition, and consumers' expectations. These findings would help in formulating a more refined marketing strategy. In addition, it enhances understanding of potholes to be avoided in piloting new concepts in the Indian market. Overall the study is a relevant one, with appropriate research design and execution in the decision-making context. (Name of the company has been disguised. Only broad findings have been indicated for academic purposes).

**M. R. Suresh**

# **A Study on the Effectiveness of the Launch of LPG Retail at Convenience Stores and Understanding the Perception of Retailers and Consumers**

## **Introduction**

In today's business scenario, it is not enough for companies to focus on advertising and external messaging anymore, especially when the firm is in a unique position of launching a new concept of selling for a widely used commodity. Marketers should look to create value for the customers and should have a drive to be explorers. They need to go to new places, talk to people in every corner, and get a better understanding of serving them. This calls for pragmatic experimentation of ideas. This helps in shaping the market. (Comstock,2014)

## **Background of Industry**

LPG i.e. Liquefied Petroleum Gas is a mixture of propane and butane with tertiary gases. In India distribution of LPG began with Burma Shell Corporation in 1955. It started as an alternative to the then popular fuels of India, coal, kerosene, wood and dried dung. Initially it was not feasible even for the middle class to shift to LPG due to its cost. Therefore, government promoted LPG by providing subsidy for LPG connections and later on the basis of per unit of LPG cylinders. This promotion by the government triggered a long list of applicants for LPG connections. Oil companies had not planned for such demand. Slowly mass production of gas cylinders started in India.

Till September, 1993 LPG was being marketed in the country by the Public Sector Oil Marketing Companies (OMCs) only. Since LPG was in short supply, OMCs were importing the product to meet the requirements. However, inadequate import infrastructure coupled with limited allocation of foreign exchange at official rates made it difficult for OMCs to import LPG and meet the full demand. In order to overcome this difficulty, Government issued a notification, introducing the concept of Parallel Marketing Scheme (PMS). Under PMS, parallel marketers (private companies) were allowed to import and market LPG in the country to bulk consumers in both domestic and non-domestic (commercial and industrial) sectors. Since then parallel marketers have been importing and marketing LPG under PMS. In the segment of commercial and industrial LPG the private companies are giving the PSU's a tough fight as it has no subsidy ([www.beg.utexas.edu](http://www.beg.utexas.edu)).

## **Context of the Study**

A large private sector company has undertaken this study. With a view to marking its presence in the domestic LPG market, it is undertaking this study as a part of a proposed strategy for the domestic LPG market. It is implementing an ambitious concept of retailing hassle free unsubsidized LPG connections at convenience stores. To test this concept the company has strategically chosen a major high income residential area in Bangalore. The reason behind the selection of this area is the presence of a migrant population who form a large chunk of the customer base for the company. As the government regulations allowed any commercial outlet

to store upto 100 kgs of LPG, the company has planned to leverage this regulation and setup 80 Point of Sale (POS) outlets across the area, conduct promotional campaigns and analyse the customer response for the concept. The company has a central distributor who will supply stock to all the POS outlets. In addition the company has placed cylinder racks with its branding in each of these outlets to increase visibility of the brand.

### **Research Purpose**

The main purpose of this study was to capture the perception of the customers and the retailers to this new concept and comprehend the effectiveness of the launch of the same.

### **Research Objective**

The objective of this research was to understand the level of retailer and customer satisfaction for this concept. It involved understanding if there were any shortcomings in the implementation of the project and rating the distributor based on the feedback from the retailers and to analyse the implementation of the concept and giving recommendations for launching such projects in the future.

### **Some Research Questions for Retailers**

- When did the company personnel place the rack at their outlet?
- How many enquiries have they been getting?
- Is the distributor supplying stock on time?
- Has the company provided proper training regarding the process of issuing hassle free connections?
- Does the outlet provide free door delivery?
- What is the retailer's response on the utility of the cylinder rack?
- Is the retailer aware of the extensive promotion?

### **Some Research Questions for Customers**

- Is the customer aware of the concept of private LPG cylinders?
- Is the customer aware of any multinational company giving hassle free LPG connections?
- Has the customer seen any LPG racks in his/her locality?
- What are the factors that a customer looks for before buying a new gas connection?
- What are the kind of outlets that the customer frequently visits?
- Have the customers come across any auto top advertisement of domestic private LPG?
- Have the customers come across any other promotional activities?

## Research Methodology

Exploratory research was used, as the company was seeking insights into the general nature of the problem, the possible decision alternatives, and relevant variables to be considered. Typically, there was little prior knowledge on which to build. The research methods were highly flexible, unstructured, and qualitative (Aaker, 2011).

The advantage of using exploratory research is that it is easier to make new discoveries due to the less stringent methodological restrictions.

Since a good questionnaire led to accomplishment of the researcher's objectives care was taken to eliminate ambiguous questions (Aaker 2011). The company had a few parameters on which it wanted to view its performance. After careful discussions with the company authorities the questionnaire was designed with a set of questions which allowed the respondents to give their inputs without influencing their responses.

## Information Requirement Planning for Retailers

Sources of Information	Type of Business Involved	Information Requirement	Scaling Approach
Store owners and employees who are retailing LPG.	Grocery stores, Supermarkets, Vegetable shops, Automobile shops, Sweet marts	<ul style="list-style-type: none"> <li>• Number of enquiries</li> <li>• Distributor's supply efficiency</li> <li>• Training Imparted</li> <li>• Cylinder rack utility</li> <li>• Awareness of promotional activities</li> <li>• Delivery of cylinders</li> </ul>	<ul style="list-style-type: none"> <li>• Mostly Nominal</li> <li>• Ordinal</li> </ul>

## Information Requirement Planning for Customers

Sources of Information	Age Group	Information Requirement	Scaling Approach
Residents of the area in the vicinity where cluster of POS outlets is located. Respondents from locations of promotional activities.	18 – 55 years	<ul style="list-style-type: none"> <li>• Awareness about private LPG.</li> <li>• Brand recollect.</li> <li>• Visibility of cylinder racks.</li> <li>• Factors considered for new connection.</li> <li>• Kind of shops often visited.</li> <li>• Promotional activities seen.</li> </ul>	<ul style="list-style-type: none"> <li>• Nominal.</li> </ul>

## **Sampling Technique**

The retailer survey involved survey of all the 80 POS outlets retailing LPG connections in the area. Since this study involved the testing of a new concept the sampling errors might prove to be costly, a census was more appropriate than a sample (Aaker 2011). The customer survey was a sample as the population was large. Also as the customer survey was largely targeted to analyse the impact of promotional campaigns, hence a homogeneous mix of population was taken to conduct an unbiased survey.

Here judgement sampling technique was used to ensure survey was conducted in atleast two location points where extensive promotional campaigns were held and in locations where there was a cluster on POS outlets. As these were the locations where the customer was most exposed to the brand, this sample was taken to get analysis about the brand recall and promotions. A total of 158 customers were surveyed.

## **Analysis of Data**

The data collected from 80 retailers and 158 customers has been analysed based on various parameters identified by the company. The analysis comprised of findings using the concepts of mean and weighted average. These concepts helped in analysis of few key areas of concern on the parameters given by the company and also in giving recommendations for areas to focus for the company. (Aczel, 2012)

## **Research Findings**

The research has mainly focussed on situational analysis of the market. An effort has been made to understand the market environment in the business of LPG and capture specific characteristics of the market. This effort has helped us in the following ways.

- In identifying threats and opportunities for the concept of LPG retail at convenience stores.
- In understanding the retailers – who they are, how they behave, why they behave as they do, and how they are likely to respond in the future.
- Helped to assess the competitive position of the company in the market.
- Helped in understanding the consumers' expectations better.

### Key Analysis from the Research

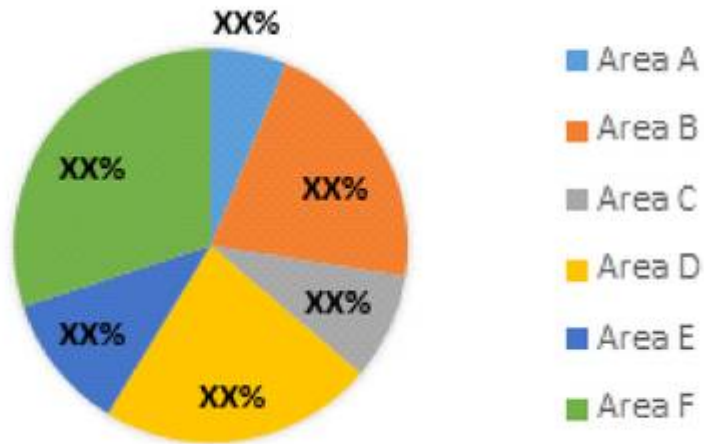


Figure 1 : Area Wise Division of Outlets

An examination of the above graph would indicate that the Area B, Area D and Area F have got a major presence of Point of Sale outlets when compared to other areas. This could be attributed not only to the radius of the locations but also the presence of large residential complexes in the vicinity.

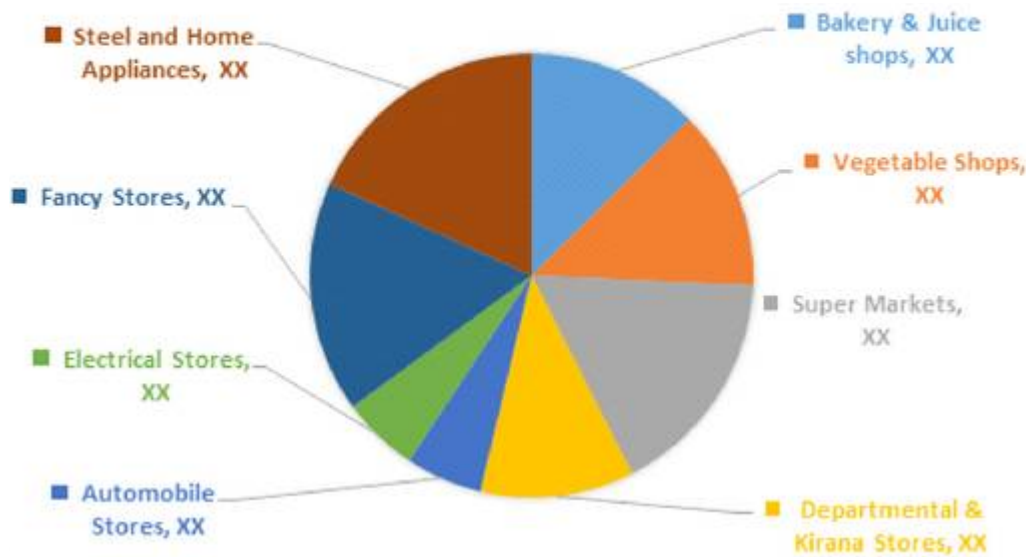


Figure 2 : Average Enquiries Based on Type of Business

From the survey it was observed that the average number of enquiries across all the types of stores per day is around 2 enquiries. It was also seen that kitchen and steel appliances stores and super markets got more enquiries compared to all other type of stores.

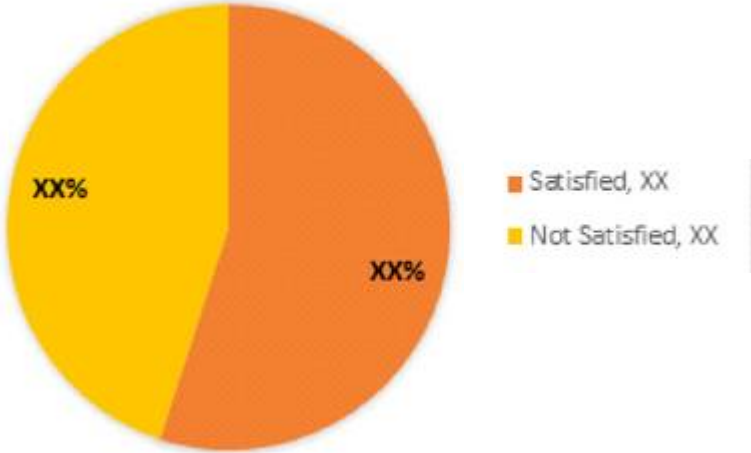


Figure 3 : Utility of th Rack

From the survey we could see that most of the shops were not utilising the racks efficiently, thus defeating the purpose of placing the racks.

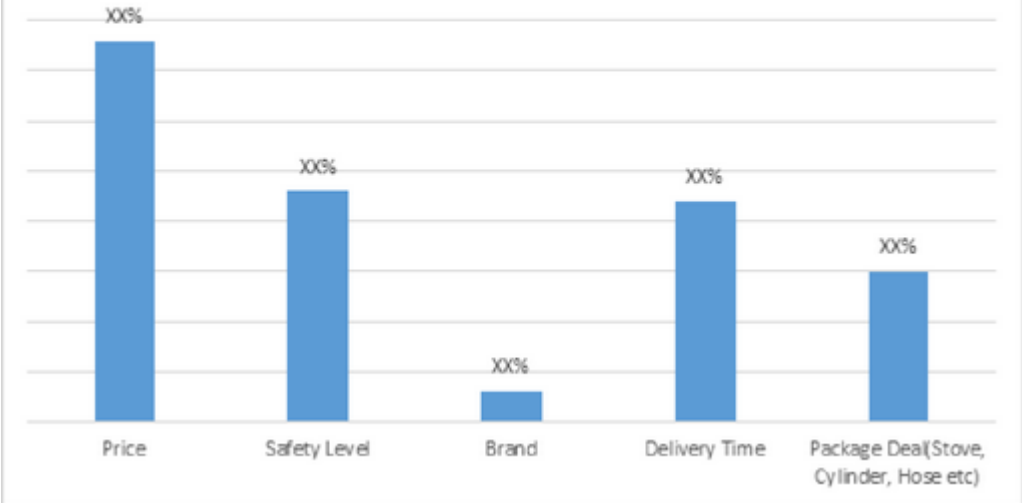
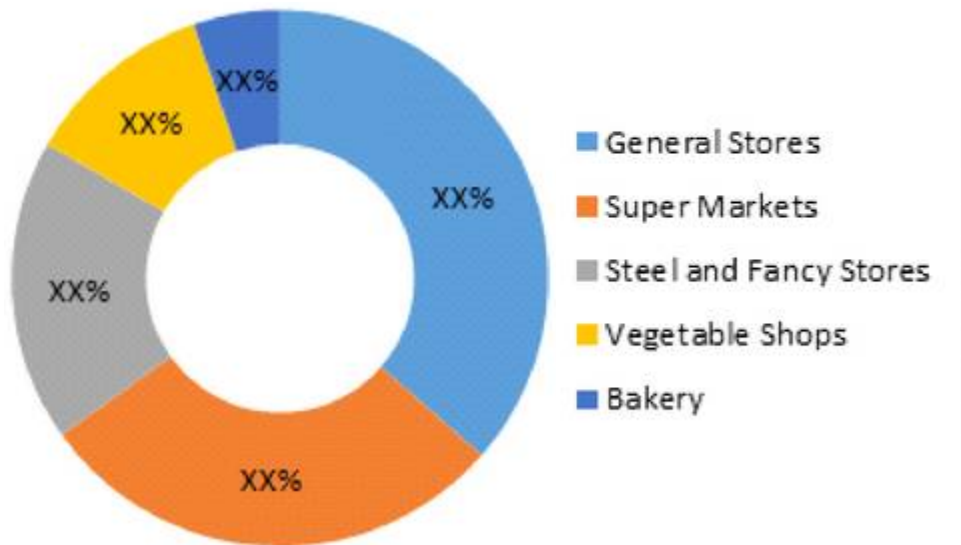


Figure 4 : Attribute Preference While Taking New Gas Connection

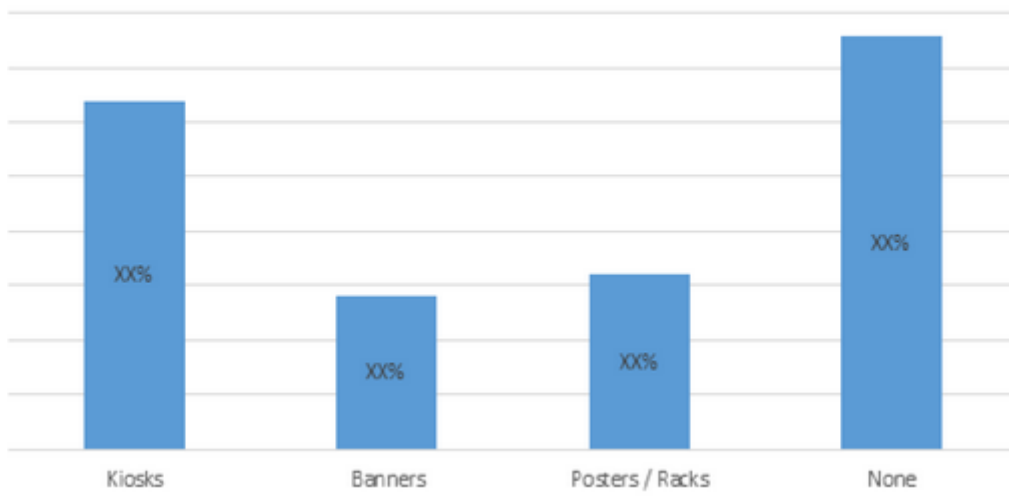
Though consumers were wary of the safety of LPG they preferred cheaper LPG cylinders.





*Figure 5 : Types of Outlets a Customer Visits Frequently*

Most of the respondents frequented general/supermarkets when compared to other stores.



*Figure 6 : Other Promotional Activities*

It was seen from the survey that, the auto top advertising adopted by the company has been very successful but the company has to look into other forms of promotions.

## **Some Recommendations Based on Research Findings**

- Most outlets were either finding it difficult to use the rack for branding or found it to be bulky to move around, the company could make use of sunboard cut-outs in the shape of cylinders. This would not only reduce the cost considerably but also would catch the eye of the customer when placed at the stores. Hence, the problem of the retailer might be solved.
- The survey also suggested low customer knowledge about the company's efficiency and quality, the company could build its credibility by constantly engaging the customer via emails or SMS thereby reassuring the customer about its commitment to quality.
- Another important issue from the research was the retailer's concern was police enquires for storing LPG. Therefore the company had to print the Petroleum and Explosive Safety Organization (PESO) regulation extract on the company letter head to give the same each retailer so that these concerns were addressed.
- The company has placed multiple outlets in certain localities, leading to unhealthy competition. As the distributor replenished the stock on a day to day basis there was no fear of the stock-outs, hence the company could have only one outlet in a radius of 300 – 500 metres, as this would not only make the retailer happy as he would get a larger customer base, but would also put the onus on him to live upto the customer expectations and provide efficient service.
- From the survey it was seen that the customers based their decisions to buy new connections on the advice got from kitchen appliances outlet owners, hence the company could focus on locating as many such retailers as possible while launching such projects elsewhere. The refill sales largely happened from the supermarkets due to convenience and free delivery factor.
- Parallel promotions were the key to the company. As the survey data showed poor brand recollect, the company ought to run promotions in parallel, like radio jingles and posters, or and setting up kiosks at different locations etc. This would impact the brand recollect.
- Only when the customer is aware of the benefits of using the company's product will he do word of mouth publicity. To make this happen the company needs to continuously engage the customer and keep the customer updated on the price, quality and efficiency and company offers.
- Ensuring the delivery personnel from the distributor's side were updated on the price and other offers, would ensure seamless flow of information to the retailers thereby reaching the customers.

## **Learnings and Conclusions**

Conducting the study at the company has been a very enriching experience as the industry is an unpredictable one. With presence of too many local players, the competition in the industry is

cut-throat. The demand for the commodity is not going to fall and hence a lot of importance needs to be given on capturing this potential demand. The research has been an eye-opener in terms of retail practices in the market. It has made the researcher as to how in this era of supermarkets, the small Indian retailer has adapted and still made a huge difference to the buying behaviour of the customers. The importance of supply chain is also critical in any project is another learning.

Finally the experience of meeting the retailers further alerted the researcher on the importance of ensuring a win-win situation for both the company and the retailers.

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