

Synergy of Fuel & Non-Fuel Activities at Petro-Retailing

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Abstract: *With oil industries taking a slump in the upcoming years, petro retail chains are looking for viable options to boost the overall profitability. Western Countries have 60% profit from petro retail chains; Indian companies are yet to maximize the profit gains from this sector. This paper deals with the synergy of non-fuel activities at retail chains. Proposed business models and business tie-ups according to customer needs are presented in the paper*

Keywords: business tie-ups, non-fuel activities

1. Introduction

Business diversity is one of the most important tools for any company's growth. Any company won't survive the market instability in Modern world without a proper expansion plan. This requires innovation, creativity, and proper strategy to carry out the plans. Plans involving using the already established infrastructure, using the customer trust over the company and tie-ups with the company best at their fields to diversify the market.

After dismantling the Administered price mechanism by Indian Government, the competition and retail outlets in Petro outlets have increased manifold. In developed countries, revenue from retail outlets is about 60%. Companies should look out for all new tie-ups differentiated with different customer groups and needs.

Apart from conventional places like highways, malls, outskirts of cities, the petro retailing chain can diversify the business by expanding and tapping places like airports, railway stations, rural areas and semi urban areas. These areas would provide a greater customer outreach in addition to more revenue from non fueling sector. After the private companies like Shell and Reliance oil Industries have taken over the market, the petrol companies knows the importance of building the trust upon the customers and providing the facilities and brand promotions. The new tie-ups and business models hence is designed to serve the very purpose. By surveying the every possible needs of customer and delivering to them is the motto of every business models.

2. Why do we need Non-Fuel Retailing?

After the dismantling of Administered Price Mechanism[1], new private companies found their way in Indian markets, thereby increasing the competition. The fuel prices been stagnant and increasing competition, revenue other than fuel have to looken upon. To increase the revenue margin non fuel activities in petro retail is the best option. Also, the new customer base looks for brand that meets all their needs, quality, time saving ventures and physiological analysis calls for the companies which looks for the needs of customers overall have a better brand value. Hence, this competition

form shifting from a company to corporate giving a wide variety of revenue is best for any market space.

2.1 Challenges in Petro-Retailing

Revenue dipping in after 2002 dismantling APM, the competition growing in everyday, the retainment of customers as cost for switching is almost nothing. For to open the outlet which is new and have good margin is almost nothing. Hence, petro retailing for business diversification is best business model. For the same space available, outlets which offer various non-fuel activities is best for customer footfalls.

Based on various surveys, customers prefer for petro retail which have basic amenities and facilities. Likewise, Indian Oil has achieved NFR worth 83 crores of rupees, 15 to 20 %over the previous year, while HPCL increased from 16% to 37 crores rupees in year 2010-11.

2.2 Non-Fuel Retailing models and initiatives

The needs and demands of customers vary from rural, urban or semi urban areas. Hence, all retail outlet should look out for the customer specific needs and customise the retail outlet non fuel activities according to the needs. These understanding will lead to the company's policy of tie-ups and business demands.

The private and public sector both are looking for business diversification and garner the maximum number of customers under their umbrella. The attempts look for adopting different retail market practices such as branding, multi advertising, franchise sharing, promotions, the quick delivery of service, etc. The petro retail are quickly turning into corporate structure with multi facilities like ATMs, convenience stores, internet cafe, food chains, clean floors, auto repair services, etc. The new models includes new architectural design of outlet with token facilities along with royalty cards.

2.3 Data obtained from literature [2]:

According to one survey which was conducted to know the reasons why any customer visits the particular Retail outlet.

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This survey was conducted in 2015. According to the results of that survey, it has been found that customers visited to the particular Retail outlet because it was convenient for them. It implies that the location of RO is most important. Even 70% customers stated that assurance and quality are driving factor, while 37% cited due to ATM, air and water availability. Almost 38% number of people also cited infrastructure of the outlets including space, cleanliness, and fast services motivates them to visit at the outlets.

3. New Methods and Ideas

3.1 Rural Areas

Rural areas have the most untapped regions where companies should look for expansion. With 1500 retail outlets in rural areas accounting for only 25% revenue from retail business, there's maximum scope for new tie-ups.

Farming-industry tie up - Fertilisers, pesticides, seeds-increasing revenue.

Agro-industry tie up - Tie up with fresh fruits and vegetable vendor giants and be the middle agents.

Fuel supply - Most of the farmers need a gallons of fuels for their tractors, and have constant need, most of them visit the nearby petrol pumps
Irrigation and water pumps

3.2 Urban Areas

Tie-ups with supermarkets, food chains have already been place for business diversification. New tie-ups in urban areas should cater to both macroscopic and microscopic need of masses.

Theatres - Tie ups with multiplexes chain to garner the maximum publicity for the company and then use of loyalty premium cards in buying tickets to earn points for redeeming in retail pumps.

Restaurants chains (themed) - Food chains are already in place with different tie ups but the customer needs more of now. Themed restaurants are in craze in urban areas and the revenue is on very high side for it.

Kids Zone - Most psychologist claims if a company can make a kid happy, it is a sure shot key for a family. These kids zone which requires a very little investment will garner maximum publicity for the company. Not only will it increase the brand value but also the happiness quotient among the customers will be high.

3.3 Semi Urban Areas

Motels - Semi urban areas have maximum retail outlets. Place where investment on land is low the company can look out for maximum revenues. Motels for travellers is the best among them. Most of travellers require a night stay and staying in the inner parts of cities could be high on budget.

These motels will be their best rescue also saving their hassle of traffic in cities in addition to budget.

Dhabas - The travellers always look out for good eating joints and what could be the best option for travellers if they could have trusted franchise for have to eat.

Vehicle Utility Shops - It is self explanatory, the vehicle repair shop is biggest boon for all the vehicles out there.

3.4 Highways

Dhabas - The travellers always look out for good eating joints and what could be the best option for travellers if they could have trusted franchise for have to eat.

Utility Shops - It is self explanatory, the vehicle repair shop is biggest boon for all the vehicles out there.

3.5 Airports and Railway Stations

Petrol retail sector refrain from setting up pumps at these prime locations. Non-fuel activities in these locations will give most of the revenue of percentage of total collections.
Supermarkets - Supermarket tie ups will boost the overall revenue of the pumps.

Taxi Booth - Business model should include tie ups with taxi company for pickup and drop by location, with contract of cab using the particular company for fillup of their tanks.

Food Courts - The one thing that these places guarantee is footfalls in plenty 24*7. And tie up with prominent food courts chains with take away option would be best way to boost the revenue.

4. Business Models

Loyalty Cards - These will be premium cards for customers which will be one for them will points every time they have fuel or non fuel activities in the outlet. These cards will not only be valid in companies petro chains but also in the tie-ups chains franchise companies to give them better flexibility. After every shopping, points will be added in the cards in fixed exchange ratio. Points could be redeemed for next shopping again at fixed exchange ratio. This premium card will also get upgraded for elite customers which will give better return value and the chain goes on.

Taxi Booth - Business model should include tie ups with taxi company for pickup and drop by location, with contract of cab using the companies for fillup of their tanks. Now this booth when setup all over the urban and semi urban retail outlet will serve the basic purpose of connectivity and also increase the fuel activities of outlet as well as increase the brand promotion.

Irrigation schemes - This scheme would be the best schemes not only in terms of revenue but also to increase the customer brand royalty. This schemes includes installation of pumps in rural areas and provide waters for irrigation. This schemes

implemented in rural areas facing a dearth of water for irrigation would serve a boon to them. The promotion to the company would be immense.

Abolishment of middle men (Agro Industry) - This business model would require a tie up with big supermarkets chain like BigBazaar and After Introduction of FDI Walmart. The scheme would be channel out the middle men in the agro industry. The farmers can supply their harvest to the petro outlet which would be collected by supermarket chain and sold directly to customer. Hence the middle men would be totally flushed out benefiting everyone. The farmers get a direct market with no bargains, no hassles of delivery to nearby cities. They directly give their harvest to petrol outlets which will take care of rest in return petrol outlets charges a small percentage of share from the supermarket. The supermarkets gets benefitted they directly get the fresh fruits and vegetables in cheaper rates with only a small premium.

Pick Up centres for flipkart, Amazon - E-commerce website are taking over the internet and in coming years, the total shift to virtual shopping would be inevitable. Hence the companies should look for tie-ups with leading e-commerce website like flipkart and amazon and petro retail outlets be there pick up location of their delivery. Customers on travel can be handled the delivery from highway outlets or if visiting in a particular city at their urban outlet at a premium cost.

Customer Need - Business models should be such that it should be flexible enough to meet the needs of customers. Everyday new policy of government rattles the business sector, hence companies now moving on to business diversification with no fuel activities should look for customer need and be flexible enough to challenge the changes and meet the needs.

5. Conclusion

Economy of world is hanging drastically, and predicting is being next to God. Dot bubble bursting and 2008 economic crisis is living example to it. The dismantling of APM lead to private sector to enter the Indian market, competition have grown manifold and to maintain the pace the oil companies could not just stick to depending on fuel revenue alone. Non-fuel revenue for petro retail outlets is the biggest challenge and dire need for oil companies in India.

The non-fuel activities should not anyway hamper the fuel activities in the outlet. The first and foremost agenda for the business model should be this. As we saw that the revenue from non fuel activities in western counterpart is around 60%, and in India it is around 25%, there's lot of scope for business expansion. So, the company must ponder what is the problem for the customers to reject the non fuel revenue model. Why they choose for different outlets inspite if they can find everything in one store. What is the brand trust they are looking for? What tie-ups could be beneficial to turn over this scene. IOCL is leading with non fuel revenue and HPCL is still behind in the race. The tie-ups should be based on different geographical background to include all the space of

customers dividing upon Rural, Urban, Semi-urban and expressways.

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