

Innovative marketing strategies a panacea for economic downturn flashcard



**ASSIGN
BUSTER**

Contents

- Decision

The Indian economic system has grown at a phenomenal 8 % + per annum for the last 30 years. But over the past 3-4 months the growing seems to hold slowed down. Questions are being raised about this economic downswing of the economic system. Reasons most widely stated have been the rise in rough oil monetary values. The monetary values of petroleum oil have shot up dismissing demand and supply logic. India as we all know imports about 70 % of its rough oil. So every clip petroleum monetary values travel up the import measure besides goes up with it. So it is obvious that the Indian economic downswing is mostly because of the petroleum daze. The state of affairs besides warrants the other factors associated with it like the authorities did off with the administered monetary value mechanism but the monetary values are still being controlled mostly to screen the common adult male from these bad monetary values. The brunt of all this is taken by the oil companies. The under recoveries on gasoline, Diesel, kerosine and LPG have been shed bleeding the oil companies which are so bailed out by the authorities. So the money that could hold been spent on public assistance undertakings is so spent on bailing out the oil companies.

Our paper here elaborates a selling scheme of a fabricated gasoline company that is ubiquitous in the crude oil sector and what the solutions to the current jobs are. It besides provides an penetration into how advanced selling schemes in upstream, midstream, and downstream sections can assist in increasing gross revenues and cut down hazard factors of the company. These schemes are targeted non merely to the single clients but <https://assignbuster.com/innovative-marketing-strategies-a-panacea-for-economic-downturn-flashcard/>

besides to the fleet companies. Loyalty of the fleet companies can assist us increase the market portion as they can supply us with volumes. Fleet companies face a immense job of pilferage. Therefore our scheme could assist them avoid this as our construct says that the driver can acquire the gasoline filled without any hard currency or paper payment. It will besides guarantee that the driver gets the gasoline filled in the companies ' vehicle merely. This would be a immense economy for the fleet proprietors. Other schemes would include drive- in eating house and a trueness card for the clients. Largely the commuters are tired of waiting in the line. The trueness card would give them privilege over other clients. Drive in eating houses would besides be attractive to the commuters since people by and large do non wish to halt their autos at assorted locations to catch a bite. They could acquire the coveted merchandise while waiting in the waiting line. The paper besides describes schemes for Indian PSU ' s that can assist non merely acquire these out of their losings but besides how resurgence of the gasoline companies can move as a Panacea for the economic downswing of the complete Indian economic system.

PETROLEUM SECTOR- INDIAN SCENARIO

Historically the India has relied on the foreign market for its rough oil demands. The industry policy declaration of 1948 and 1956 has clearly documented the authorities ' s aspiration and future programs for nucleus industries like crude oil. All future development of crude oil industry was reserved for public sector projects. But foreign aid was a necessity at least in the early phase. As coaction with Anglo- American oil big leagues were ruled out, other options were explored.

At that clip the authorities considered four options as under for the development of its crude oil industry.

seek aid of a great power like Soviet Union,

collaborate with a little state like Rumania

explore the possibility of a authorities to authorities co-operation with other little but impersonal states like Austria which had developed sufficient proficient expertness in crude oil industry by that clip ;

Try and develop the industry through self-help by using technicians and conveying necessary machinery from which of all time beginning available.

In the 1880ss, the authorities allowed Indian private companies to come in into refinement sector ab initio as a joint venture spouse with a public sector refinement company. Subsequently, Reliance Industries Ltd. (RIL) was allowed to construct the largest refinery in the state. For polishing engineering, the populace sector refineries, during 1980s, were about wholly dependent on one American company M/s Universal Oil Products (UOP) . UOP did non reassign their engineering to the refineries. They ' leased ' it at the same time to more than one Indian refinery at a clip. Therefore, the engineering could non be absorbed. The selling policy followed by the public sector companies has made the economic system and the society wholly dependent on crude oil merchandises.

To get down with, the authorities in early 1890ss has changed the much anticipated legal position of the Oil and Natural Gas Commission (ONGC) by change overing it into a Corporation at that place by giving it more
<https://assignbuster.com/innovative-marketing-strategies-a-panacea-for-economic-downturn-flashcard/>

autonomy. Oil and Natural Gas Corporation Ltd (ONGCL) - a limited company governed by the Indian Company Acts was formed. Earlier, ONGC was governed by the Acts of the Parliament. As the authorities decided in favor of more engagement of private sector in geographic expedition and production, there was a demand to set up an independent regulative organic structure that could efficaciously oversee the activities of all the companies - private and public. Thus the Directorate General of Hydrocarbon (DGH) was set up in April 1993. Since so, the denationalization procedure of the geographic expedition and production activities have been accelerated. The most notable policy displacement was the determination of the authorities to affect private and foreign companies in the development of already discovered Fieldss. This though yielded really small consequences.

To counter this some of the inducements announced by the authorities were:

No usage responsibility on imports required for crude oil operations.

No minimal outgo committedness during the geographic expedition period.

No compulsory province engagement.

No carried involvement by National Oil Companies

Freedom to sell rough oil and natural gas in domestic market at market related monetary values.

Acquiescent cost recovery bound upto 100 %

No Ce on rough oil production

Royalty payment: 12.5 % for inland countries, 10 % for offshore and 5 % for deep H₂O countries.

Broad depreciation commissariats

Seven old ages revenue enhancement holidays from the beginning of production.

The liberalization policies followed so far has non shown any positive consequence in geographic expedition and production sector. In a despairing command, the authorities has accelerated the infinite of reform. How the national oil companies adjust to this rapid altering state of affairs is to be watched closely.

To pull private investing in geographic expedition, the authorities has announced that any company putting about US \$ 400 million (Rs20 billion) in geographic expedition and production or other specified avenue, would be eligible for marketing rights for crude oil merchandises in India. This will let the international oil big leagues to come in into the moneymaking selling sector.

Cross subsidised crude oil merchandises competed with other energy beginnings like coal, and penetrated into their sphere. Therefore low priced kerosine has replaced vegetable oil for lighting lamps and coal for cookery, subsidised LPG has become an indispensable family fuel, long distance trucks fed with inexpensive Diesel easy competed with the railroads in freight motion and subsidised naphtha made the coal engineering unviable for fertilizer production. This pricing policy backed with luxuriant distribution

system has made the full economic system about wholly dependent on crude oil merchandises.

The ' retention construct ' on the other manus did non let the PSUs become ill. Therefore investors ' (chiefly many-sided support bureaus like World Bank, ADB etc) fund was safe.

Now that APM has lost its relevancy. The economic system has become dependent on crude oil and private parties are non happy with 12-15 % assured return. They want more. Hence APM is dismantled in a phased mode.

The Indian midstream sector though is really active and the denationalization has yielded some really astonishing consequences.

In this changed state of affairs, the refinement and selling PSUs with old refineries and decennaries of ' retention ' civilization might happen it hard to confront competition in the station APM stage ONGCL and OIL will besides go uncompetitive unless they adjust themselves rapidly with the altering state of affairs.

Research shows that in the past four decennaries, ONGCL and OIL have progressively become dependent on foreign companies in all major operational activities. Furthermore, there was no major discovery in any oil or gas Fieldss in the last 30 old ages though boulder clay last 3 twelvemonth, most fecund Fieldss were kept reserved for national oil companies. With the debut of NELP, those privileges have been withdrawn and opportunities of success by national oil companies have besides decreased. Thus operational

disbursals will lift with stagnant/falling production. Added to this, private sector refineries will not be bound to buy rough oil from national oil companies. They will seek for better quality petroleum at cheaper rates from alternate beginnings. In such a state of affairs, ONGCL and OIL will find it hard to last in the competitive market. However, if the authorities compel the public sector oil refineries to buy ONGCL/OIL petroleum at a higher rate, those refineries will be uncompetitive vis-a-vis private sector refineries. Existing public sector refineries will besides confront many more hurdles in the de-regulated economic system. The disadvantages of the economic system of graduated table and happening duplicate petroleum at competitive monetary value for old refineries will be the major challenges before the refinery sector.

Economy of Scale: Except one in Koyali (Gujarat) all other 14 public sector refineries are little in size (less than 8MMTPA capacity) . Their capacities range between 0. 65 MMTPA at Digboi (Assam) and 12. 50MMTPA at Koyali (Gujarat) . And most of these refineries were built earlier 1980s. Compared to this, the Reliance refinery built in 1999 with province of the art engineering has a capacity of 27MMTPA. It is estimated that a new composite of 6. 0 MMTPA refinery with Hydro cracker and delayed Coker as the major secondary treating units and in-house power/hydrogen production will hold a net border of about US \$ 5. 8/bbl. If the capacity is increased to 9. 0MMTPA, the net border will better to around US \$ 6. 3/bbl. However, this estimation varies depending on the monetary value of petroleum and crude oil merchandises.

In September 2006, the refinement borders of IOCL refineries were merely 30 cents per barrel compared to RPL ' s border of US \$ 1 per barrel. In 2005-06, IOCL had to waive over US \$ 700 million on history of lower refinement borders compared to the earlier old ages. The consequence of de-regulation is clearly seeable now.

Matching of rough oil: Under the deregulated market, the refineries will hold to pay import para monetary values for the petroleum ' s and any fluctuations in the existent petroleum monetary value will non be absorbed as earlier by the ' oil pool history ' (a portion of APM) . Hence choice of proper petroleum oil for a peculiar refinery will of critical importance. In the emerging scenario of lower handiness of sweet petroleum, dependance on heavy and rancid petroleum oil is bound to increase. Choosing and sourcing fitting petroleum for 15 different refineries for optimal production to run into rigorous environmental ordinances and international quality criterions, will be a major challenge to public sector refineries.

Company BACKGROUND

We have considered this company to be Indian based incorporate energy and energy related company. Petroleum can be divided in 3 subdivisions that is Upstream - geographic expedition, Midstream- refineries and Downstream-retail. The companies in the crude oil sector have really low borders if they are merely in the downstream or the retailing sector. Thus it is good for the companies to be vertically incorporate that is to hold operations in upstream, midstream and downstream.

Upstream

The upstream section, sometimes referred to as Exploration & A ; Production (E & A ; P) , by and large includes seeking for and pull outing natural gas or crude oil at the “ wellspring ” (the beginning of the trade good) . This besides entails edifice, operating, and keeping Wellss which bring the trade good to the surface so it can be transported and further refined. While most MLPs operate in the midstream infinite, some besides exist in the E & A ; P infinite.

Midstream

The midstream sector procedures and shops, markets and conveyances crude oil, natural gas and the assorted natural gas liquids like C₂H₆, butane and propane. It chiefly includes refinement.

The companies ‘ midstream operations are critical to stabilising the volatility associated with trade good monetary value alteration. Our concern strength would be an incorporate substructure supported by trade good selling. The company ‘ s midstream assets include:

Heavy oil up grader: located near heavy oil bring forth part and capable of enlargement.

Pipeline substructure: dependable heavy oil grapevine system that is good incorporate and have enlargement chances.

Crude oil and natural gas storage

Commodity selling: they markets its ain and 3rd party production of rough oil, natural gas.

Downstream

Downstream by and large refers to retail or sweeping terminal users and, in the range of oil, refineries where petroleum oil is delivered.

The downstream sector includes all oils refineries and petrochemical workss, crude oil merchandise distribution via the attached retail mercantile establishments and natural gas distribution companies, within the operations. The downstream industry markets merchandises such as gasolene and Diesel and jet fuel. It besides makes available asphalt, lubricators, plastics fertilisers and antifreeze and even pharmaceuticals. This is besides the sector responsible for the handiness of natural gas and propane.

Supply concatenation

The supply concatenation of the company can hold divided in two subdivisions - primary and secondary distribution.

Primary distribution is from the Fieldss where the extraction of oil, gas or both to the refinery. The extracted stuff so goes to garnering unit for the mixture of hydrocarbons. Later it goes to terminal and so refinery. This full process is captured under the primary distribution.

Secondary distribution- This is the motion of the refined merchandise from the refinery to terminal/ terminals and so to the retail mercantile establishments. There are assorted crude oil merchandises like Liquefied

Petroleum Gas (LPG) which are sent from the refineries to Liquefied Petroleum Gas (LPG) to LPG Bottling Terminal and so to the traders which are to be sold to the concluding client. Merchandises like Naphtha are sent to the power works. More popular merchandises like Motor Spirit, Diesel, Kerosene, ATF are sent to the terminus and so to gas Stations, industrial consumers. The terminal user for merchandises like Naphtha, LSHS, HSD, and LABFS are the industrial consumers.

Manners of Transportation and Operations in Oil & A ; Gas Industry

The vehicles that can be used in the supply concatenation are

Marine Vessels - these guarantee that big measures can be transported to the coveted locations. It might ensue in the hold of the bringing of the oil since it takes clip.

Types of Marine vass

Crude Carrier

Black Oil

Heavy merchandises

Clean Product Carrier

Gasoline

Gasoline

Kerosene

<https://assignbuster.com/innovative-marketing-strategies-a-panacea-for-economic-downturn-flashcard/>

LNG Carrier

Pipelines- This is an advanced technique which merely involves pumping in hard currency one time. Grapevines can be utile as they transfer big measures at a low dramatis personae. It is one of the most economical for bulk motion.

The pipes vary from merchandise to merchandise (i. e. different grapevines for petroleum, gas and other merchandises) Transportation through grapevines can be categorized as onshore and offshore.

Railways - It is faster than the marine vass. The rail oilers are called waggons. Several oilers hauled in tandem are called profligates. There can be 4 wheel and 8 wheel armored combat vehicle waggons.

They have air tight containers to forestall escape.

Road Tankers - This sort of transit is used for inland motion. It varies from merchandise to merchandise i. e. different for gas and liquid merchandises. There are air tight containers to forestall pilferage.

CHALLENGES FACED BY COMPANY

The sort of jobs our company is traveling to face are generalised to reflect the job faced by most crude oil companies.

The major jobs that any crude oil company faces today is that of:

How to construct a alone and sustainable competitory advantage?

While this job is really comparative the lone solution to this job is to develop deeper consumer penetration. By researching consumer wants the company can so be after its schemes to better its client base. And so based on the consumer demands try and solve the jobs that these consumers face giving them the advantage.

Another issue that is faced by the companies is how to pull new clients?

There are assorted ways to work out this, the best solution is to construct offering around the mark consumer. For this it is imperative that the company clearly specify its mark clients. Constructing a strong Brand is of paramount importance here. A strong trade name ever helps in earning better market portion every bit good as constructing a base of loyal clients which is highly of import in the basic trade good context.

Looking at the holistic image the challenges faced by the crude oil industry are non merely in the downstream sector merely. But most jobs for Indian companies begin upriver. The jobs begin with economic systems of graduated table. Most companies are authorities regulated and therefore the issue of ruddy tape and principal for investing is an issue. So whenever these companies go in for command, smaller principal ever comes into the manner. Besides if we look at the possible investing finish today it can be divided into 4 major countries: -

Gulf States

Caspian Sea

Central Africa

<https://assignbuster.com/innovative-marketing-strategies-a-panacea-for-economic-downturn-flashcard/>

South America

But the jobs here are besides different for all of them. See the Caspian Sea part which is dominated by Chinese, Russian and American companies. China uses the purchase of holding one of the most extended grapevine webs to their advantage. Cardinal African parts are little and are highly trade sensitive with small or no industry so their dependance on imports is tremendous. But so Chinese once more offer trade sops in return for oil boring and selling chances. India once more lacks on this forepart. South America and gulf have similar sort of jobs where domination of the bigger companies like Exxon Mobil and shell is apparent.

But the manner to counter this job is merely one ; easy construct up a portfolio which will assist us in acquiring a better footmark in the country.

Selling Scheme

Upstream Selling

Upstream crude oil sector consist of oil geographic expedition for companies. The companies by and large bid for these blocks. When any company looks at these auctions the lone point of distinction a company can make is by either edifice a portfolio of oil blocks in the country. Leverage of authority besides can be used here but it ' s of import to hold a strategic investing program to hold involvements in that part.

Upstream selling besides involves the use of hazard direction of all assets and to distribute them out over different part and besides utilizing them as a point of marketing proposing our portfolio is planetary giving us wider

capableness to diversify hazard taking to better entree to finacess and cheaper loans.

Using the latest of engineering can besides assist us cut down our C footmarks giving the company a green image. Petroleum companies by and large come with a negative image so it ' s of import that this be countered with a green image. Besides this can assist us better grosss by giving us the entree to planetary C recognition markets.

Mid watercourse Selling

Midstream crude oil includes gasoline refineries. The Indian Companies by and large tend to distinguish themselves about 2 points in this sector

Capacity

Margins

Quite a few clip locations besides affairs. So any refinery with good connectivity by route and sea and is really accessible will hit extremely. So it is necessary to hold a strategic location for any refinery which can so be efficaciously marketed.

Refineries can besides market their capacity to good consequence take for illustration the scenario in India refinement capacity here is being used to fullest so its jussive mood that any new capacity be marketed good. But this can merely work if the company takes the bigger image into context so refinement of crude oil becomes a manner of incorporating your ain concern

vertically making a complete bundle for selling and stigmatization of your merchandises taking to plunge down in costs.

Down watercourse Selling

The chief focal point for a Petroleum retail shop is to increase a higher market portion and to guarantee client trueness. Market portion can be increased when we can pull a batch of clients. Thus we would be aiming the fleet companies along with the regular clients. One of the jobs faced by these companies is that of pilferage. Our scheme is designed to see this job. The company can pull the fleet companies by utilizing the undermentioned schemes: -

Fleet solutions

This is an advanced system, which enables refuelling in a gasoline station without hard currency, recognition card or verifier. A Vehicle Identification Unit (VIU) is installed in the vehicle and is used as the mandate and payment device. Advanced studies are generated for fleet directors.

This solution for fleets is a cost effectual and lasting system necessitating minimum maintenance. A Data is collected automatically, wirelessly and effortlessly. Packaged in a rainproof enclosure, the Vehicle Tag is mounted in the vehicle, with an aerial mounted around the fuel recess to let a distant aerial in the edifice to entree information stored on the vehicle tag. A

When the fleet vehicle enters onto the gas station belongings, the vehicle ticket is detected by the system. A The driver selects a fuel nose and places it into the fuel armored combat vehicle. The system checks if the vehicle

ticket is right, comparing it to the negative or “ hot ” list. If the ticket is valid, the fuel type selected is compared to the fuel type stored on the vehicle ticket, history mandate is obtained, and other controls in topographic point are checked, like clip between last fuelling, etc. If all is good, the site accountant tells the POS to authorise the dispenser and fuelling can get down. As long as the nose stays inside the fuel armored combat vehicle recess, fuelling can go on.

This would be a nest eggs of 10 % -25 % for the fleet proprietors as the driver would non be able to acquire gasoline dispensed in another vehicle.

The benefits oil companies, fuel station operators and fleet proprietors.

Benefits forA oil companies:

a^? Increase trueness degree of single and fleet clients

a^? Increase market portion

a^? Increase trader ' s trueness

a^? Long-term fuel contract with fleets

a^? Provide secured fuelling to clients

a^? Innovative high tech image

Benefits for the fleet proprietors:

a^? Fuel ingestion control

• Offer new services to fleets

• Fuelling of authorised fleet vehicles merely

• Prevention of fuel fraud

• Efficient usage of clip and work force in swift direction and accurate accounting

• Reporting on vehicle use and ingestion

• Odometer and engine hour readings for effective care programming

Benefits for fuel station operators:

• Increase fuel gross revenues

• Competitive client attractive force

• Operates local trueness plans

• Faster and improved service ; self service

• requires less service attenders

• Eliminates need for recognition cards, verifiers A or cheques

• Optimal direction and control including

A displacements and stock list

Drive in eating house

Petroleum retailing today is by and large done through seller pumps in India.

The pumps are owned by either company or are franchised out to sellers.

The selling for gasoline is targeted towards work outing two jobs.

client trueness

increasing gross revenues

The first job is faced because deficiency of distinction based merely on merchandise as all the merchandises available at all pumps are traveling to be really similar to one another. This is a job all the basic trade goods face since there is no point of distinction. So companies are left with merely two options poaching of clients and retaining bing clients.

Let ' s expression at increasing gross revenues. The point here is when a client by and large tends to come to a gasoline pump. Market research has shown that pumps have maximal gross revenues during forenoon hours and eventides. That ' s the clip when everyone goes to either office or place. So if we are able to guarantee regular visits from these people so our gross revenues figures would in bend leap. So looking at another facet of same market research we come to cognize that the other point all of these people are attracted to is nutrient. So our company is traveling to aim these factors of clients and set a scheme in topographic point that solves both the demands of nutrient every bit good as gasoline for these clients. This leads to the construct of thrust in restaurant come gasoline pump. This can be achieved in the undermentioned mode

We open a window at the entryway of the pump this window takes the individuals order. Then the client moves to the gasoline make fulling station and by the clip he has filled up his gasoline and is ready to go forth his order is ready and he can go forth with his nutrient. This manner we would be guaranting clients coming to our gasoline pump driving up gross revenues every bit good as non nucleus concern gross.

Loyalty card:

To guarantee clients are loyal, we need to supply certain inducements to them: -

The company could come up with a trueness card wherein the card holders would acquire certain points every clip they fill in gasoline from our gas Stations. They could subsequently deliver these points in exchange for certain gifts harmonizing to the points in their card.

The card holders would besides acquire privilege during a waiting line in the gasoline station. This means that there would be a separate pump for these holders in about every gasoline station. During haste hours the company could split the line in the pump which is empty. But the card holders would be preferred during a waiting line. This would guarantee them speedy service and more and more clients would desire to avail the trueness card since waiting in the waiting line is one of the major jobs faced by the clients.

Parking is a major issue in most of the crowded countries. The canopy above the gasoline Stations could besides be used as a parking country. The card holders would acquire a privilege to park their autos. This would be on the footing of first come foremost function footing since the infinite is limited. <https://assignbuster.com/innovative-marketing-strategies-a-panacea-for-economic-downturn-flashcard/>

Parking is a major issue in most of the crowded countries and this would besides promote clients to acquire this card. This would besides promote clients to acquire this card.

Quality:

Trust of people can be capture by giving them Quality and Quantity of gasoline, that will be a cardinal driver of pick. Quality impacts fuel efficiency and engine public presentation. Quantity is a parametric quantity for consideration in India for acquiring the right sum of fuel at right monetary value. Thus we could besides market our gasoline station which focuses on quality.

Decision

The Petroleum sector in recent old ages has been characterized by lifting ingestion of oil merchandises, worsening petroleum production and low modesty accumulation. India remains one of the least-explored states in the universe, with a well denseness among the lowest in the world. A With demand for 100 million metric ton, India is the 4th largest oil ingestion zone in Asia. This makes the chances of the Indian Oil industry even more exciting.

After independency, there seen, the rapid growing of the upstream and downstream oil sectors. There has been optimum usage of resources for geographic expedition activities and increasing refinement capacity every bit good as the creative activity of a huge selling substructure and engineering and a pool of extremely trained and skilled work force. However India attracts finacess and engineering from abroad into our crude oil sector.

There is huge competition in the crude oil sector as there has been entry of new participants. This would intend decrease in the market portion of the existing participants. The company can utilize our schemes to pull the clients. Our schemes are chiefly focused on the fleet proprietors and the day-to-day clients. The fleet proprietors can convey in the volumes as they have many vehicles and need to acquire the armored combat vehicle refuelled often. Schemes like trueeness plan and the thrust in eating house would besides be attractive for the clients. Largely the working people come to the gasoline station during the forenoon hours or the eventide while returning from the office. Thus schemes like precedence during a waiting line would ever be really attractive for the clients. Even a thrust in eating house is really attractive as the commuters and pick up their coveted things rapidly. These schemes can pull the clients which would take to a larger market portion and act as a Panacea for the economic downswing.

Word count- 4669 words