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A Study on Value Added Service in Fuel Retailing: Impacting Consumer Buying Behavior

Dr. Manish Badlani

Assistant Professor, Department of Management Studies, Engineering College Ajmer,
Rajasthan Technical University, Rajasthan, India

Davendra Kumar Singhal

Research Scholar, Department of Management Studies, Engineering College Ajmer,
Rajasthan Technical University, Rajasthan, India

Abstract:

The oil and gas industry sector is one of the six core industries in India. The oil & gas industry is divided into the three streams those are upstream, midstream and downstream. The upstream of oil & gas sector deals with the exploration and production of crude oil & gas; the midstream deals with the movement of materials through pipelines rail trucks and vessels and the downstream sector takes care of the marketing of petroleum products through retail stations or outlets. In general term the fuel-retailing business is the selling of fuel products through the outlets. In Fuel retailing business, the refined products are directly being sold to the consumers. There is extensive rivalry for oil marketing companies due to entry of private players like reliance, shell, Essar etc., to interact the consumers these companies provide some value added services like ATM's, convenience store, fleet cards etc. The value-added selling concept has been a popular one from many years. Today's markets scenario is such where so many products and services are available to the customer to choose, therefore the ability to add value to the product or service is an absolute necessity to attract the customer.

Keywords: Fuel Retailing, Consumer buying behavior and Values Added Services (VAS),

1. Introduction

India is one of the largest consumers and importers of crude oil and petroleum product in the world. It has large number of consumer base which consisting commercial and non commercial vehicles. Mostly consumer fills up their fuel tanks as and when required or on a daily basis, mostly search for a good price, good services and convenient location. India's oil market has been dominated by state owned Bharat Petroleum Corporation Ltd. (BPCL), Indian Oil Corporation Ltd. (IOCL) and Hindustan Petroleum Corporation Ltd. (HPCL), in the field of petroleum products marketing. This Retail Fuels Report is a part of our practice of delivering a fact based investigation of market dynamics to enlighten how fuels (oil & gas) are sold and the composition of the retail fuels industry. The value added services like Wi-Fi, Windshield wipers, ATMs, Car Wash, C Store, Food court and other services provided by fuel companies affect the buying process of consumers. These services are developed to help facilitate an open conversation about the issues impacting supply and price by a better perceptive of the retail fuels markets and facilitate relieve frustrations that consumers often experience.

This article can be helpful to Study about various value-added services provided by petro retailing companies as well as evolution of the VAS and Analysis of customer's behavior regarding delivered and perceived value added services through market research.

2. Methodology

This research study has the theoretical contribution to understand the impact of consumer buying behavior for value added service in fuel retailing market. We use the exploratory research studies that have ideas and insights; we also applied fundamental research process to develop a theory over consumer buying decision. This study was conducted in three phases: first phase talks about the value added services, in second phase we tried to cover fuel retailing and finally we touched upon the consumer buying behavior. The author also collected data from major fuel retailer in India viz. IOCL, HPCL, and BPCL and tried to make a correlation between consumer buying behavior and value added services in the fuel retailing domain. This study will also give an idea about the strategies those could be applied by the companies in future to increase the customer services, provide convenience and increase the customer base and how these can be modified as per customer expectation.

3. Consumer Buying Process

It is very important for companies to understand consumer behavior to make the strategic business decision to enhance the profitability in the highly competing fuel retail market. Consumers change their preferences for the product and service constantly

according to their need and current trend. Companies must study and understand these preferences for the successful market penetration in a defined segment.

Consumer Buying Decision can be perceived from the shopping behavior includes recognition of requirement and desires and search for the information by the ultimate consumer. It's necessary for companies to analyze buying behavior because; customer's reaction for companies marketing policy has vital impact on its product and service success.

The consumer buying behavior shows how a consumer makes buying decision. Consumer buying process is the series of steps to make a purchasing decision by consumers. A model of consumer purchase decision-making includes recognition of desires and wants, info search, assessment of available choice, buy, and post-purchase assessment. These five step model provides a framework to the companies to identify consumer need and their behavior and makes companies enable to align their strategy as per consumer needs. Consumers go through below mentioned steps before making the final buying decision.

3.1. Need Recognition

This can be described as first and most important step in the consumer buying decision. Need is the trigger point for any purchasing. In this process consumer identify their current want. The requirements can be generated by internal stimuli like hunger, thirst, travel or by the external stimuli like advertising, market trend.

3.2. Information Search

Once customer recognizes the need, they will look out for the available information to satisfy and fulfill their need. Now the consumer tries to find out the best available solution at the best price by information search. This is the buyer's attempt to find out interior and exterior business environments, in order to recognize and assess information sources associated to the essential buying decision. Then the consumer will seek to make his view to channel his selection and his decision-making route with:

3.2.1. Internal Information

This internal information includes the memory of consumer that comes from previous experiences he had with a product and the opinion he may have of the brand.

3.2.2. External Information

This external information on a product consumer found by friends or family, by reviews from other consumers or from the press and from the official business sources such as an advertising or a seller's speech.

The decision making by consumer will shell out additional consideration to his inner information and the info from friends, family or other consumers.

3.3. Evaluation of Choices

Once information search complete, consumers will assess diverse goods or brands at this phase on the basis of other product attributes those have the ability to deliver the remuneration the customer is seeking. To do this he will evaluate their attributes on two aspects in which first one is the objective characteristics such as features and functionality of the product or service while other one is subjective that cover perception & perceived value of the brand by the consumer. If the customer's attitude is encouraging and participation is high, then they will assess a number of companies or brands; but if it is lower, very few brand or company will be assessed.

3.4. Purchase

Once evaluation of choice is done, the purchase decision is taken place. Customer will be able to choose the service and product that seem most satisfied to his need. His decision will depend on the information. The selection made in the last step based on the perceived value, features and capabilities that are most important to him. Final purchase decision may be interrupted by two factors first one is negative feedback from other customers and other one is the level of motivation to accept the feedback.

3.5. Post-Purchase Evaluation

Once product purchased, the customer will compare the product by his expectation that he is satisfied or not. This affects consumer communications, value perceptions and repeat-purchase behavior. On the basis of being either satisfied or dissatisfied, it is frequent for customers to dispense their positive or negative opinion about the product. This might be through reviews on social media network, or word of mouth or by web site. Corporations ought to be very careful to create positive post-purchase communication, so as to interact with customers and make the process as efficient as possible.

4. Fuel Retailing

The fuel retailing is part of downstream segment of oil and gas value chain. Consumers fill the fuel at fuel dispensing outlet and get other value added services provided by the various oil marketing companies. Fuel dispensing stations can be turned to a great source of non-fuel revenue generation by enhancing the value added services. The fuel station can be set up by public sector oil marketing companies as well as private sector oil players dealing in distribution and storage of petroleum products. In Indian fuel market major players engaged in retail business of automotive fuels are IOCL, HPCL, BPCL, Reliance, Essar and Shell.

Value added services have played a significant part in fuel retailing from the first roadside filling stations in the early days at the beginning of the last century. With the enhancement of the retail petroleum market in the and after the war era, these services have become more ubiquitous.

5. Value Added Services in Fuel Retailing

In India mostly fuel outlets or service stations are poorly designed and congested. This downside provides a natural opening for new companies who offer better alternatives. Most of the Indian fuel stations have long queues, oily forecourts, cars jockeying for position and hand-operated petrol pumps that may not determine the sale volume accurately for each transaction. They do not offer any convenience stores or other value added facilities that attract the consumers. Requirement of modification has inspired Indian companies such as Reliance and Essar to enter in the fuel retail market. Reliance expanded its network rapidly and building more than 1,200 service stations. Shell is one of the international oil companies to enter in the Indian retail market and opened petrol station in India.

The Indian fuel retailing industry is dealing strongly to deliver a new forecourt retailing opportunities as well as superior customer offerings. In the past years India has calm business of petroleum retailing. Cars, buses and two wheelers ride in and paid in hard cash and then drove out. In big cities the use of credit cards, lady attendants, and carwashes became an integral part of the fuel retailing market. Earlier petrol stations were only used for filling fuel but now they are getting converted into multi facility joints. For instance, BPCL has created a national network of In & Out stores that offer banking and shopping services and the idea is to buy fuel, and shop alongside.

These pumps are still either owned by state-owned petroleum product companies like Bharat Petroleum, Hindustan Petroleum and Indian Oil Corporation or are run as franchises by private entrepreneurs with limited capital.

Some of the value added services provided by petro retailers are as follow:

5.1. Quick Care Points

In quick care points consumers are offered a free checkup for the elements such as brake oil, engine oil, coolant, battery water and many others. A checkup of the tyres is also done and if required recommendations are also given in immediate case.

5.2. Digital Air Towers

For the safety and performance of the vehicle maintaining the correct air pressure in the tyres is required. The specially designed digital air pressure equipment ensures accurate air pressure in the vehicles and also adds to the comfort and safety of travel.

5.3. ATMs

ATM facilities are provided on the fuel retail outlets, where consumer can make banking transaction while getting fuel filled.

5.4. Communication Facilities

Mostly retail outlet is equipped with a pay phone facility for the consumer's convenience. The consumer selects outlets which also provide facility for E-mail checking and high speed internet browsing.

5.5. Financing for the vehicle and Insurance Related Counsel

Today some fuel retailers provided leading vehicle insurance and finance service which include assistance towards issuance and renewal of policies. They also give extension of loans for new purchase or for second hand vehicles.

5.6. Basic Services

Fuel dispensing stations offer basic facilities such as food counters, hygienic rest room facilities, basic medicines and first aid facility and drinking water through water purifiers.

Beside of these common non fuel services the major players in fuel market have their specific services as provided below for the public sector oil marketing companies.

6. Indian Oil Corporation Limited (IOCL)

Indian Oil is the Asia's leading commercial R&D organization in the downstream sector by building on its capabilities in developing and innovative technologies, fuel products and processes. The IOCL product covers several fuels such as LPG, Diesel, Auto LPG, Petrol, Aviation Turbine Fuel (ATF), Naphtha, Kerosene, Lubricants, Paraffin, and Bitumen etc. IOCL also provide some prominent branded fuel like Xtra Mile high speed diesel; Xtra Premium branded petrol, Indane LPG, Servo lubricants, Indian Oil Aviation and Auto gas LPG.

6.1. XTRACARE, Fuels and More

Indian Oil corporation ltd company provide XTRACARE E branded full service petrol stations, those are a result of a series of service up-gradation processes in product and retail design, automation, capability training, retail site management techniques and loyalty programs, all benchmarked to global standards. Indian Oil's XTRACARE pump is a revolutionary inventiveness in petroleum retailing which combines the best bunch of quality, quantity and tepid service with a guarantee to make every visit a truly refreshing experience.

During monsoon season IOCL provides umbrella care of XTRACARE for Indian Oil's valued customers, this includes brake fluid check, tyres check-air and visual, battery check-battery water, windshield wiper check-condition of the wiper blades, water spray, etc.

6.2. Suraksha LPG House

This value added services provided by Indane Distributors to their customers of offering products and services at highly reasonable prices under one roof such as high energy efficient Green Label LPG Stoves, Higher safety longer life Suraksha LPG House, Fire Retardant Suraksha Kitchen Aprons etc.

6.3. XTRAPOWER Fleet Card

The Indian Oil XTRAPOWER Fleet Card Program provides an absolute fleet management solution for Fleet Owners / Operators and Corporate which make them enable to cashless purchase of lubes and fuels from selected retail outlets of Indian Oil by using credit and flexible prepaid facilities. Unique benefits akin to vehicle tracking facilities and personal accident insurance cover along with the other offer like exciting Rewards Program also facilitated by the fleet card program.

7. Bharat Petroleum Corporation Limited (BPCL)

Bharat Petroleum works towards fulfilling the need of the customer and towards providing added value in fuel and non-fuel areas.

7.1. Fostering Loyalty

BPCL share rewarding relationships with their customers and building loyalty has been a center of focus. BPCL recognize the need of their customers to make life more convenient and rewarding, so they introduce Petro Bonus, the first loyalty cum rewards program. The Petro card program provided convenience in payment along with an inherent rewards program which rewards the customer with Petro miles; it is equipped with Smart Card Technology.

7.2. Smart-Fleetcard

The Smart Fleet Programme offers supreme convenience, security and facilities like cashless transactions, vehicle tracking, Cash management System and option of credit for fleet owners across the India. Apart from facilitating fleet management, Smart-Fleet comes with exciting rewards and Pure for Sure guarantee.

7.3. E-CHARGE

E-Charge is a complete system and service provider offering electronic delivery system for the prepaid product industry using electronic terminals. This inventive system upright integrates the distribution value chain by linking mobile operators with the retail channel. The service optimizes customer convenience, ensures complete security of the prepaid PINs and is highly scalable. The technology can also makes enable to launch other products like sporting tickets, movie tickets and services like Bill Payments etc.

7.4. BP GHAR

Bharat Petroleum Corporation Ltd. (BPCL) is building a Vibrant Highway Assurance Network as a part of BPCL's Retail Business strategy. The goal behind effort of placing a High Assurance Network is "Assurance" to the Highway Traveler which includes the Truckers and Tourists. Assurance would mean Journey Solutions, Business Solutions and Personal Solutions and ensure uniformity and consistency in Deliverables, Offerings and facilities. The Facilities in terms of fuel are fully automated MS/HSD Fuelling, Captive power generation, Smart Card Customer Care Centre and Secured and Spacious parking.

8. Hindustan Petroleum Corporation Limited (HPCL)

HPCL retail outlets not only provide maintenance of the vehicle but also maintain a steady relationship with the consumer and provide better service. HPCL takes care of customers fuelling needs, as well as complete vehicle care that include other value added services which ensure that consumer should be satisfy.

The HP retail outlet one stop shop simply drive in, anytime, anywhere. Corporation is also focusing on filling up leakages in the distribution system through automation of retail outlets, satellite tracking of fuel trucks and introduction of marker in kerosene. HPCL has taken several initiatives like introduction of exclusive retail automation and mobile laboratories at select outlets, mobile retail outlets for rural markets, modernization of the retail points.

The newly created distinct set of value added services offer a wide range of tailor made services for consumer convenience in LPG customers mentioned below:

- Delivery of refills within 24 hours
- Extension of delivery timings, which is 8 am to 8 pm, all seven days in a week
- Expert and Efficient services - installation time for a new connection will be 24 hours
- Customer service inquiries and emergency services
- Four-digit single number 1716 provided for the safety and convenience of HP GAS' valued consumers across the country.

Besides these value added services for the LPG Customer, HPCL also provided services to their other segment consumers, those are mentioned below.

8.1. HP Suraksha LPG house

HPCL is one of the pioneer oil companies which computerize the entire distributor network to provide value added services to consumers and introduced booking refill through IVRS. The HPCL is more concerned towards the safety of the consumers. The HP Suraksha LPG house was launched as an example of the company's commitment to safety.

8.2. HPCL - ICICI Co Branded Credit Cards and the Club HP Smart Cards

HPCL also provide HPCL - ICICI Co Branded Credit Cards and the Club HP Smart Cards that facilitates Customers to use the HPCL - ICICI Credit Cards to utilize the higher reward points offered by this unique product when they visit the "Club HP" outlets.

8.3. Drive Track Card

HPCL introduced a drive track card because they are concerned about the challenges being faced by the transport community from various corners like price hike, driver's safety, route and risk of handling etc. Drive Track fleet card is a prepaid card with e-purse cum loyalty application for fleet operators (mainly highway segment). This card offers reward points called Drive Stars for every purchase at any HPCL Petrol Pump. These rewards are offered to the transporter in the form of free fuel (Turbojet / Power / Diesel / Petrol etc.); at least 20 transporters get rewarded with free fuel from HPCL petrol pumps every day.

8.4. Hamara Pump

'Hamara Pump' is a low-cost model pump set up over an area of around 900 square meters with a sales room building, telephone, drinking water, and clean toilet and air facilities. These pumps are established in and around villages with good agricultural demand. 'Hamara Pumps' have basic facilities for dispensing fuels and lubricating oils.

8.5. Bills Payments

HPCL has collaborated with Skypak Financial Services to facilitate drop boxes service at all Club HP outlets; Skypak will install these boxes in a phased manner. These drop boxes can be utilized to pay bills; those are relating to variety of other services as well. One has to drop the bill and payment instrument like Demand Draft or Cheque for the designated service provider and same will routed to the correct direction by Skypak, at no extra cost.

9. Impact on Consumer Buying Behavior

The basic value added services in national oil companies are almost same. Marketing initiative of HPCL (Club HP), IOCL (XTRACARE), BPCL (pure for sure, Initiative) all are focused in one thing that is providing more customer value through value added services.

Over the past few years, gross margins for fuel have averaged. The average profit has come down to a lower level of the overall cost of the fuel after factoring in expenses. The retailers operate on such low margins having anticipation, if they get a consumer to their pump, they have a much better chances that a customer will go inside and buy other items with more traditional profit margins. Customers those are younger in age most likely go inside the store to buy other items, mostly those consumers belong to age group of 18-34 years.

If a customer goes inside the store it does not give the assurance that he or she will buy the items; sometimes they may have intention to buy something but they did not get what they were looking for or they may have come inside for other reasons, whether to use the ATM service or use some other facility. Still, a good chunk of consumers purchases one or more items, whether water, food item or other meals, which are gradually more embraced by consumers at convenience stores that sell gas.

Regarding loyalty of the customer, they prefer BPCL as a leader in VAS because of their innovative image and in second place HPCL is there because of its customer focused nature, while IOCL is taking leverage of its highest touching points.

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