“Marketing of Petrol in India - Transformation of an Undifferentiated Low Involvement Commodity into High Involvement Brands”

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Anurag Dugar (India)

Marketing of petrol in India – transformation of an undifferentiated low involvement commodity into high involvement brands

Abstract

India is one of the largest consumers and importers of oil and petrol in the world and like many other Indian industries, Indian Petroleum Industry has been under strict regulation since (Indian) independence. Not any more. With deregulation, one of the largest markets, which was ‘protected’ and dominated by government regulated petroleum companies, is now open for private players, and hence, for the first time in Indian history, this market will witness the forces of marketing and competition in operation.

For Indian consumers, petrol has been a ‘commodity with a same price’ for more than fifty-five years. Indian consumers have never seen ‘brands of petrol’ and different brands (of petrol) being sold at different prices. Hence, there was no question of brand loyalty to exist and for them ‘petrol brands’ are a new thing altogether as is differentiated pricing of petrol.

The paper covers the process followed by the petrol selling companies to ‘change the mindset’ of a nation with second largest population in the world; and simultaneously, the evolution and conversion of a ‘very low involvement commodity’ into ‘high involvement brands’.

For Indian Petrol Selling companies, because of protected environment, ‘marketing’ was never an issue, and its role was confined to ‘selling’ and ‘distribution’. They enjoyed a monopoly like situation with demand always exceeding the supply. Petrol Selling companies were doing business with social objectives (set by the government) and the word ‘competition’ was not allowed to exist and interfere. The scenario has suddenly changed with government declaring that it will be opting out of regulating the petrol companies and the petrol market. Old players found themselves amidst cut throat competition.

Now, the Indian petrol market is having two categories of players based on their strengths. ‘The new entrants’ – (the private players), who are more professional and aggressive in approach and have a flair for marketing, and ‘The old players’ – (the Government regulated organizations) for whom ‘marketing’ has never been a strength but their strength is their enormous experience, understanding and knowledge of the Indian petrol market and its operations and most importantly, the extremely strong and set distribution network covering the most important locations in the market.

Both types of players know that the market is huge and yet to be tapped and as with branding the early mover has an obvious advantage, so everyone is moving fast to grab the opportunity, as a result a sense of urgency and restlessness can be felt in the market as companies try to establish their brands as quickly as possible and to attract the customers with their brands and differentiating services.

The paper presents a brief history of Indian petrol market and a descriptive analysis of the development and implementation of branding strategies by the Petrol Selling companies in the Indian market.

Keywords: petroleum, commodity, protectionism, privatization, competition, branding, differentiation.

Introduction

Petroleum (derived from Latin ‘Petra’ – rock and ‘oleum’ – oil) has always been an inseparable part of life in our times. Anything about petrol (be it its exports, imports, production (exploration, refining or selling), or its price fluctuation) shakes the global economy, and in recent past the world has witnessed some wars and national conflicts caused because of it (petrol). So, there is no need to say why it has become “liquid gold” in true sense of the word.

The limits of its production and its ever increasing demand and also the issues related to energy security of nations are at the centre stage of global forums, amongst the most important challenges faced by the planet today (Radhika N. 2004. “The Evolution, Growth and Structure of the Global Oil Industry” in “The Effective Executive”. Reading, “Indian Oil Industry”. ICFAI University Press).

1. Succinct history of petroleum industry

Petroleum first came up in wells drilled for salt. People found it useful as illuminating oil and the demand for it steadily increased. Samuel Kier, a Pittsburgh druggist, bottled and sold Petrol as medicinal cure. To market a de-odorized variant, he designed the first primitive refinery in 1852, which was a huge improvised kettle, connected to a metal tank. Years later, ‘Colonel’ Edwin Drake and ‘Uncle’ Billy Smith drilled a well with the specific objective of finding oil, and on August 27th, 1859, they “struck oil” at Titusvale, in North Western Pennsylvania, USA and this was the first formal discovery of oil. Soon after this, petrol started
gaining importance in 1860s when the world witnessed vast industrial development. A lot of petroleum refineries also came up during that time.

2. Genesis of Indian petroleum industry

The story of oil search and exploration in India began in dense jungles of Assam (the extreme northeast corner of India) in the decade of 1880-1890. The first discovery recorded is by Mr. Goodenough of McKillop Stewart Company finding oil near Jaypore in upper Assam. After that, Assam Railway and Trading Company (ARTC) also struck oil at Digboi and marked the beginning of oil production in India. During the same time period, oil was also struck at Makum near Margherita (again in Assam) in 1867 (just nine years after the historical Drake well in Pennsylvania in 1859) and the first commercial oil was discovered in Digboi in 1889. However, exploration and production started in a systematic way in 1899 when the Assam Oil Company (AOC) was formed. It can be said that ‘Assam’ and the ‘decade of 1880’ – marked the beginning of Indian Petroleum Industry.

After this decade, Burmah Oil Company, which was considered as a major player in the petroleum market of South Asia dominated this market. It refined crude oil produced from primitive hand dug wells in Upper Burma, which was then a part of India.

After independence, Geological Survey of India carried out extensive reconnaissance surveys and mapping initiatives, to locate structures suitable for exploration of oil and gas in the country. However, the real thrust to petroleum exploration in country was achieved only after the setting up of Oil and Natural Gas Commission (ONGC) in 1955.

The initial gas and oil pools were discovered in Jwalamukhi (Punjab) and Cambay (Gujarat) in 1958 respectively and in the same year Oil India Limited (OIL) was setup. Since then, these two (ONGC and OIL) have discovered over 260 oil and gas fields. So far, India has struck oil mainly in Assam, Bombay Offshore, Cambay, Cauvery, Krishna-Godavari, Tripura-Cachar, and West Rajasthan basins.

The indigenous oil production increased at a modest pace in upper Assam. After that, Assam Railway and Trading Company (ARTC) also struck oil at Digboi and marked the beginning of oil production in India. During the same time period, oil was also struck at Makum near Margherita (again in Assam) in 1867 (just nine years after the historical Drake well in Pennsylvania in 1859) and the first commercial oil was discovered in Digboi in 1889. However, exploration and production started in a systematic way in 1899 when the Assam Oil Company (AOC) was formed. It can be said that ‘Assam’ and the ‘decade of 1880’ – marked the beginning of Indian Petroleum Industry.

3. Marketing of petrol: an introduction

Marketing has always been considered as a tool for markets with imperfect competition, where many sellers fight for consumers, they have differentiated products and lots of advertising and sales promotion, various prices might also prevail in these markets (Palmer A. 2004. “Introduction to Marketing: Theory and Practice”. India. Oxford University Press). On basis of these characteristics, it is intricate to comment that selling of petrol in India was anything but not about marketing. Since, none of the characteristics of Indian Petroleum Market of that time coincides with the characteristics of markets with imperfect competition. For example – during that time, the petrol selling companies need not fight for consumers and they (petrol selling companies) offered exactly the same product to the consumers (characteristic of a commodity) and that too at the same price.

In other words, the history of marketing of petrol in India was defined and characterized by extreme government control and protectionism. Not only the marketing function, but all aspects of petroleum business, (exploration, refining, distribution or selling) were strictly regulated and protected. But, recently a big paradigm shift is taking place in the way petrol is being marketed.

4. Marketing of petrol in India: a historical perspective

For about hundred and forty odd years, ‘Petrol’ existed as an ‘undifferentiated commodity’ in India. No serious efforts were made for augmenting and differentiating this ‘commodity’. More importantly, only three government regulated petrol selling companies enjoying an almost ‘monopoly status’, were running the business, driven by the social objectives set by the government, along with the prices of petrol.

Although the companies demanded autonomy on regular basis, they never realized that they would be compelled to “market” petrol and fight with each other for market share and since the war for capturing other’s market share was never fought during all these years, marketing was obviously considered as the least required function in the petrol selling business. Even the consumers never thought that they will be standing on the petrol pumps thinking about the brand of petrol to choose from a number of brands available.

During this era of protection and control, ‘marketing of petrol’ actually meant ‘distribution of petrol’. In the name of marketing, petrol selling companies focused primarily on strengthening their distribution network, that is, adding more and more number of ‘outlets’ (petrol pumps) to their network. Efforts made for expanding the geographical coverage were termed as ‘marketing’. At that time, even this was justified because of the environmental factors prevailing at that time, like:
1. Nature of ‘commodity’

As mentioned above, for over hundred and forty years, petrol has been a ‘commodity’ in India. Since consumers did not find any difference in petrol produced and sold by companies operating in this market. For consumers, petrol as a product was exactly the same at all the places. Secondly, consumers did not find any significant difference between the ‘petrol selling companies’ either. Since, they were all government companies, the ‘reliability’ factor was similar and more because they were selling the ‘same thing’ at the ‘same price’. Because of these reasons, there was no question of patronizing ‘petrol selling companies’ and also their product (petrol).

Surprisingly, instead of patronizing the ‘petrol selling companies’, consumers rather patronized the petrol pumps in their specific geographical areas. The loyalty for petrol-pumps was based on consumers’ assumptions and perceptions regarding pumps giving ‘right quantity’ and not indulging into ‘adulteration’ practices. Since petrol was an undifferentiated commodity, any kind of loyalty (which is visible for brands) was out of question.

With this environment at hand, it became obvious for the companies that their sales depended on the number of outlets (petrol pumps) they owned. Therefore, in order to increase their sales, companies just focused on increasing the number of outlets (petrol pumps) and capturing good locations for their petrol pumps.

Petrol selling companies knew it very well that – they are selling a commodity and they do not have any control over its prices. Moreover, government indicated time and again that it intended to keep on selling petrol at the same price in future too. So, the petrol selling companies did not have any good reason as well as incentive to go for aggressive marketing of petrol.

2. Demand over-running supply

Secondly and more importantly, in India, the demand of petrol has always been far more than the domestic production; therefore it was imported. Large imports of oil made it a commodity which was considered responsible for the poor BOP situation of the country.

This fact intensified the assumption that aggressive marketing by sellers might result in increased demand, leading to further aggravation in the BOP problem. Therefore, marketing was never considered as an option, rather the use of ‘de-marketing’ was clearly reflected in the few advertisements on hoardings at petrol pumps, which communicated the message – ‘save petrol’.

3. Administered pricing mechanism (APM)

Till recently, petrol prices were completely under government control and regulation and companies were compelled to keep same prices. In the commodity market, price is the only criterion of differentiation and even this was non-existent in the case of petrol. So, in Indian petrol retail market, the only possible differentiator was not available for the companies. This also worked as a de-motivator for the companies in pursuing marketing aggressively.

4. Protected market.

Government considered petrol as a product of national significance as any fluctuations in its prices and supply directly affected the prices of other products and services, so government did not allow private sector players as well as FDI to come in and operate in this market. An example of government’s seriousness of practicing protectionism is reflected through the fact that Indian government went for liberalization in 1991 and since then it had allowed foreign investment in many sectors, but it did not open Petrol market for private players and FDI for more than a decade (after liberalization started). The message was loud and clear that government was not interested in allowing ‘outsiders’ in this domain. This became one of the most important reasons for the oil companies not practicing marketing was the ‘protection’ that government provided to the petrol selling companies.

The above mentioned factors actually created an environment where marketing petrol aggressively was considered out of question. The companies did not have any good reason for practicing marketing. This environment continued for a very long period (more than hundred years) and it took the companies from practicing marketing and providing value, and even consumers never realized that they can be pampered at the petrol pumps. Similarly, neither the consumer expected anything like product development and value added services from the companies nor the companies had any good reason for providing all these.

4.1. Marketing of petrol: present scenario. Today the marketing of petrol has changed from what it used to be in yester-years and hence petrol is on its way to transformation from being an “undifferentiated commodity” to a “branded product” (“Indian Petrol Industry – Towards Branded Fuels”. 2003. ICMR).

Drastic changes (like opening up of the petrol market for private companies as well as for the international players and leaving the determination of petrol prices on the market forces) in the environment are again compelling the companies to reevaluate and have a fresh outlook at their marketing strate-
gies. Now, companies can not survive just by adding to their distribution’s effectiveness and it has now become a small part of their overall marketing strategy. Hence, now the petrol selling companies are doing a lot of things as a part of marketing strategy, other then focusing only on distribution.

5. Why are the companies now going in with aggressive marketing?

The answer lies in the need that has aroused because of the challenges posed by the changing environment (of the petrol selling organizations). Today, all of a sudden, they are not protected by the government and are exposed in the modern day market having cut throat competition. So it becomes necessary to keep a constant vigil at the marketing strategies of the competitors as well as have a fresh look at self (Chandrashekhar Y. 2002. “Indian Oil Industry: The Emerging Order” in “The Chartered Financial Analyst”).

Most importantly, the old giants in petrol selling now know that in ‘open market’ situation, marketing (more specifically differentiation and value addition) will be of paramount importance because the customer will definitely go to those who will provide the best value for his money. Since they have not been in such conditions before, marketing is gaining importance for them.

Also the Indian Petrol selling companies, being ‘public sector undertakings’ know that marketing is a relatively new area for them, while it (marketing) is the forte of private companies and especially multinationals. In order to survive and win in fierce competition, Indian petrol selling companies are more than eager to learn the new rules of the game.

The whole paradigm shift in the Indian petrol market can be broadly classified under the following heads and these are the reasons that are compelling the companies to undertake marketing seriously:

1. Entry of private players

Indian economy has by far been a protected economy and that too with government playing a vital role especially in the development of critical industries. Even after a decade of opening up the gates of the country for foreign enterprises and realizing the importance of private sector in nation’s development, government did not go for privatizing and even did not allow foreign direct investment in the oil and gas market. Till today it keeps a close eye on the industries operating in this sector (Dutt Rudder, Sundaram K. P. M. 2004. “Indian Economy”. India. S. Chand).

Recently, government has opened the gates of this very preserved industry for the private players. As competition grew, marketing became more and more important. Earlier, because of the reasons mentioned above, companies felt no need to market a scarce product. It was selling automatically, but now all this sounds like “good old days” and companies have to fight their way out if they want to survive and for this, good marketing strategies are going to be one of the most crucial weapons for the companies in the coming future (Sethuraman D. 2005. “India Opens Petrol Retailing to MNCs”).

However, the new challenge is to resolve the dilemma that on one hand the companies have the social responsibility to secure India’s energy needs (the motto ‘save petrol’), and on the other hand they have to promote their brands and be profitable in order to survive the threat created by private players including the global giants which have been allowed to operate in the petrol retail market of India (Gupta R., Tuli V., Verma S. December 2005. “Securing India’s Energy Needs”. Indian Management Volume 44, Issue 12, p. 76).

Simultaneously, the companies are under severe pressure to perform as they are all listed companies and are answerable to the shareholders. And if they do not perform, there are chances that private players like Reliance or Shell will beat them at a game they are playing since long and enjoyed a ‘monopoly-like’ situation.

2. End of the “Administered Price Mechanism” era

Till now, petrol prices were being administered by the government, in other words, in India, prices of petrol were not dictated by the market forces (of demand & supply) rather government administered the price of petrol by having a policy of giving subsidies to the selling companies. This policy which was used to regulate the price of petrol in the country was known as “Administered Price Mechanism” or APM (Mallik D. 2002. “Dismantling APM: Progress and Prospects”. Chartered Financial Analyst).

Earlier, the government policy regarding selling of petrol, was dictated by the social objectives and profit was not the primary motive for the Indian Petroleum companies and hence it took a back seat. Moreover, it forced the Indian petrol selling companies to ignore ‘pricing’ (because it was not under their control), which is a crucial element of marketing mix.

But as the government withdrew the ‘APM’ and opened the gates of this very protected and preserved industry in 2002, it was very obvious that marketing will be the new battleground and price-value equation would be crucial for victory.

Secondly, every player (new private sector and old public sector giants) is clear that only marketing can give the new players a foothold in this ‘strongly captured’ market because this was the only visible
weakness in the quiver of public sector undertakings otherwise, they had more than enough experience, market knowledge, capital, government support, extensive distribution network etc.

Old giants understood the fact that private players can win the battle on the basis of price due to their expertise in providing value added services, there by moving up the value chain. Reliance’s A-1 plazas on highway have already captured a large market share where ever they are operating. As a result, they started with aggressive marketing campaigns and focused on adding new value added services in their offerings (like Bharat Petroleum started its loyalty program – ‘Petrocard’ and Hindustan Petroleum came up with ‘Club HP’ etc). This was an answer to the dismantling of APM and a welcome sign for customers as the companies started looking eagerly to satisfy their needs and this is the basic theme of ‘marketing’.

3. Privatization

India’s oil market is the world’s seventh-largest, but has so far been monopolized by state firms such as the IOC, BPCL and HPCL. Entry of private sector companies has fueled the fuel revolution further.

Petrol and diesel retailing is set to see a major change next year when private and multinational companies had begun selling petrol and diesel. Reliance Industries, Essar Oil and Royal Dutch/Shell have broken the public sector monopoly in petrol retailing. These companies have plans to set up world-class petrol stations (“Shell, RIL, Essar to set up petrol stations”. 3 December 2003. The Hindu Business Line), indicating the time to come.

Also, the entry of the global giant has created waves in the Indian petrol retailers. Anglo-Dutch oil giant Royal Dutch/Shell Group has won permission from the Indian government to set up 2,000 petrol stations in the country. Although the then Petroleum & Oil Minister Ram Naik said that the entry of one of the world’s largest oil companies was subject to the company submitting a bank guarantee of five billion rupees (105 million US dollars) and Shell would have to set up 11.6 percent of the outlets in remote areas as part of the agreement with the government. Our market is ever-growing and offers opportunities for even big players like Shell.

Companies like Shell are expected to set new standards of operating in this business. With its global experience where this sector is not that protected, Shell’s expertise of marketing, supply chain etc. will give it a clear edge and it is expected that for new players it is easier to adapt to these conditions while it will be a serious challenge for the old behemoths to cope with the new challenges because of the inflexibility in their ‘large-to-move’ structure.

4. Globalization

Globalization brings in investment and competition to an economy and with that it creates a pre-requisite for the domestic industry to become more efficient and effective (Vasudeva, P.K. 2004. “International Marketing”. India. Excel Books). The same is the case with Indian petrol market, where not only the entry of private and multi-national companies but the intensity of their seriousness is what is stirring the market. The level of investment, both in infrastructure and in marketing, and the speed at which they are spreading and their plan to spread further have already rang the alarm-bells for the Public Sector Undertakings and they are also pulling their socks for a marketing battle.

Shell and Reliance combined are to invest more than $2 billion nationwide in the next five years. Reliance and Essar Oil, are concentrating on highways where 330,000 truckers guzzle $10 billion worth of diesel every year and Shell boasting on the subsidies by government, now has more aggressive plans as for the Indian market. It now wants to take back its share of India’s $30 billion petroleum products market (“Sethuraman D. 2005. India opens petrol retailing to MNCs”).

5. Competition

Increasing competition brings in more options at competitive prices to consumers (Saxena R. 2002. “Marketing Management”. India. Tata McGraw Hill). New entrants in the petrol retail market are offering choices to Indian motorists. Today there are pumps every few kilometers. Tired truckers, who earlier curled up in their vehicles for a nap and urinated by the roadside, now use motels, restrooms and telephones offered by Reliance’s new pumps and urban Indians, who until recently drove outdated cars and relied on word of mouth to find a clean pump, now drive large Fords and Hondas and demand better fuel and service. Competition is forcing Indian Oil, Bharat Petroleum and Hindustan Petroleum, which together run more than 20,000 outlets nationwide, to clean up their acts India’s biggest oil company (Indian Oil Corporation) is spending up to $250 million to refurbish 2,800 of its busiest outlets. The newcomers are bringing more than service stations.

The crux is that the customer focus is a result of this sector moving away from the ‘government controlled domain’ and this has brought new levels of competitive threat and customer focus. With the going getting tough, the smarter players have already caught on early that now the best way to do business is to go for marketing in a serious and different way then what it used to be and there has been an increasing focus on marketing since it has become the need for survival in the long run for
6. Marketing of petrol – the new era of branding, positioning and differentiation

The days when customer focus and value addition and aggressive advertising and promotion etc. which were out of question; which the companies never realized; even which the consumer never expected – have become a reality. “For the petroleum retail sector in India, recent years have seen fundamental changes in the way business is being done. The sector has moved away from being government-controlled, a move that has brought new levels of competitive threat and customer focus.” (DIREM Marketing Services Pvt Ltd., “Consumer Loyalty & competitive threat and customer focus.” (DIREM Marketing Services Pvt Ltd., “Consumer Loyalty & Petrol Retail in India”). This tells the whole story about the great paradigm shift taking place in the marketing orientation of the Indian Petrol Selling Industry.

“Marketing” of petrol is the new reality of today but still it is true that what is visible today is equivalent to the tip of the iceberg and a lot more is yet to come.

Of late, because of all the above mentioned alterations in the environment, two things have prominently come to the forefront and they are creating a ground for marketing activities to take place: one is ‘competition’ and another is ‘strategy’. It can be correctly said that: ‘competition drives strategy’ (Nag A. 2002. “Marketing Strategy”. India. Macmillan Business Books). In Indian petrol market, both competition and strategy – are cause of the ‘marketing effect’ and it seems certain that this ‘marketing effect’ will get strong with each passing day.

“As the market becomes competitive, brand management will require careful thought. Though differentiation remains the key to competitive advantage, it may no longer serve the purpose.” (2003. Lal, Madan B., CMD – HPCL). “All players will have to focus largely on brand building and marketing to grow in the market place.” (2003, Nainan, Madhu., Editor – Petrowatch India). This reflects that the top brass of petroleum industry feels the importance of marketing in the petroleum industry.

The importance that marketing is getting now is visible from the change in marketing activities that are now undertaken by the various players in this field, for example – apart from improving the distribution the companies are seen focusing on other components of their marketing mix, like – Advertising and sales promotion, Brand Management, Differentiation, Segmentation, Targeting & Positioning, Consumer behaviour & Customer Relationship Management, Constant Value addition, Retail etc. A brief description of the innovative practices undertaken (in the above mentioned areas of marketing) by the Indian petrol selling organizations is given below:

- **Branding** – Differentiation is an important tool for branding, and is necessary to create an identity of the brand (Trout J., Rivkin S. 2000. In “Differentiate or Die”. India. East West Books) but since it was felt that branding will never be required for petrol, differentiation was obviously out of question because petrol was just another commodity and there are no brands for commodities. But now the things have turned upside down. Petrol Selling companies have included “Branding” in their core marketing strategies. In July 2002, Bharat Petroleum Corporation (BPCL), one of the leading players in the Indian petroleum industry, launched premium grade petrol under the brand name, ‘Speed’. This was the first instance of an oil company launching branded fuel in the market. Soon, the two other leading oil companies, Indian Oil Corporation (IOC) and Hindustan Petroleum Corporation Ltd. (HPCL) also launched their own ‘new generation’ fuels. While IOC’s branded petrol was called ‘Premium’, HPCL called it ‘Power’. IOC and HPCL also launched branded diesel called ‘Diesel Super’ and ‘Turbo Jet’ respectively. In December 2002, another company, IBP, launched a new brand of premium grade petrol ‘Josh’ and a premium grade high speed diesel, ‘Shakti’. Within a short span of time, the country had seen the emergence of an entirely new market category (“Hindustan Petroleum Corporation Limited launches ‘Club HP’ Assures High-quality personalized ‘Vehicle and Consumer Care’” in News Release of March 26, 2002).

- **Value added services** – Since the main product of petrol sellers is a “commodity”, which is undifferentiated. Companies are trying to attract consumers by converting their “commodity buying” into a “pleasant experience” and for that many value added services are being used to augment the basic undifferentiated product and these services are being marketed by the companies rather than the main product (Chowdary Nimit, Chowdhary Monika 2005. “Textbook of Marketing of Services: The Indian Experience” India. MacMillan). Not only branding, but petrol selling companies are also looking at some other areas of marketing that can be used in
their strategies, for example – “Hindustan Petroleum Corporation Limited” (HPCL) today launches its new Retail Brand Club HP which assures high-quality personalized Vehicle and Consumer Care through a select set of outlets”. (“Hindustan Petroleum Corporation Limited launches ‘Club HP’ which assures High-quality personalized ‘Vehicle and Consumer Care’” in News Release of March 26, 2002). Also, in an attempt to build lifetime relationship with the customers, like other companies in almost all industries in developing markets (Flambard S., Ruauad. July-September 2005. “Relationship Marketing in Emerging Economies – Some Lessons for the Future”. Vikalpa. Journal of IIM-A) petrol selling companies in India are also forcefully working on strategies under “relationship marketing”; loyalty program of BPCL is one such measure to build a relation with the customer.

Advertising and sales promotion – Advertising & Promotion of petrol sellers, which were limited to social advertising (with the theme – “save petrol”) are also getting a facelift. From social advertising to the use of all possible techniques to influence consumers’ purchase behavior and attitudes (Aaker D., Batra R., Myers G. J. 1995. “Advertising Management”. India. PHI) is the new mantra in petrol marketing. Celebrities are now signed for endorsing petrol. For example Hindustan Petroleum has signed up with Zaheer Khan and Sania Mirza to endorse its petroleum products (News release – “Hindustan Petroleum Corporation Limited signs up with Zaheer Khan”. 19 April 2005). Similarly, Yuvaraj Singh another famous cricketer has also been signed by Indian Oil Corporation along with actor Vijay Raaj and the tennis sensation of India, Sania Mirza is working for HP. The crux is that marketing is getting an important role to play in petrol selling.

Consumer behavior and marketing research – Understanding consumer behavior and consumer loyalty was never so important for petrol sellers in India, as it has become now and with that comes the need of marketing research. Since the petrol selling companies are using marketing for the first time, the territory of consumer research is new and hence a lot of exploratory research is required for gaining insight into consumer behaviour and creating consumer loyalty (Luck David J., Rubin Ronald S. “Marketing Research”. 1994. India. PHI). With the going having gotten tough, the smarter players have caught on early that the best way to do business is to lock customers into a habit they can’t break. Loyalty programs are ‘in’ with each of the big players wooing wallet shares with loyalty card programs (“Consumer Loyalty & Petrol Retail in India”. DIREM Marketing Services Private Limited).

Retailing – The petroleum and natural gas sector is set to flare up as retailing of transportation fuels like diesel and petrol will see phenomenal action. Essar Oil plans to set up more than one outlet a day; Reliance Industries is planning a phased roll out of 1,500 retail outlets from February. Over 1,000 new petrol pumps are likely to spring up in the next 12 months. Essar Oil, Reliance Industries, MNCs (read Royal/Dutch Shell) and public sector outfits like Indian Oil Corporation, Bharat Petroleum Corporation, Hindustan Petroleum Corporation, Oil and Natural Gas Corporation and IBP will be setting up these outlets. (India Infoline. 10 May 2005. “India’s Petrol Retail Sector Set for Fast Expansion”).

For a long time India preferred to have an inward oriented strategy and protectionism is one of the key features of this strategy (Cherunilam C. 2004. “International Business: Text and Cases”. India. PHI) and this strategy led to undergrowth of Indian industry. Not any more and visibly, one major reason behind this revolution in petrol selling industry is Deregulation, it is said and felt that deregulation and end of the administered price mechanism have been the root cause of sizzling petrol selling industry. Now, Administered Price Mechanism (APM) has lost its relevance. The economy has become dependent on petrol, and private parties are not happy with 12-15% assured return. They want more. Hence APM is dismantled in a phased manner. In this changed situation, the refining and marketing PSUs with old refineries and decades of ‘retention’ culture might find it difficult to face competition in the post APM phase. ONGCL and OIL will also become uncompetitive unless they adjust themselves quickly with the changing situation (Dey, Dipankar. 2001. “Globalization and the Indian Petroleum Industry”).

Conclusion

We’ve conducted an in-depth analysis of the Indian Petrol market, specifically retail market – with reference to a government policy and changes made in it over the years; the past and present consumption and production pattern of petrol in India and the quantity of import of petrol and its effect on balance of payment position of India.
The purpose is also to understand the present changes which are taking place in the Indian Petrol Market and the impact of these changes on the marketing strategies of the companies, and to find a way forward by taking Indian Oil Corporation as a base. The study aims at a comprehensive examination of Indian Oil Corporation’s marketing strategies and at critically analyzing the fitness of the strategies in the present scenario and also the long-term viability of its strategies.

The study also aims to trace the trends in the petroleum marketing in Indian context, i.e., to understand the changing dynamics of marketing in the Indian petroleum industry, taking a case of Indian Oil Corporation.

The above analysis is just a snapshot of the sizzle that the petrol selling industry is going through, it is this significant change in the scenario of petrol selling in India, which has attracted a lot of attention of the media all over the world. Nobody knows what the future beholds but one thing is for sure that marketing in petrol selling industry is here to stay.

References