

COMSTRAT 2004 – CASE STUDY – IOC’s XTRAPREMIUM

BACKGROUND

India is world's sixth largest energy consumer, and oil accounts for about 42% of India's total energy consumption.

Three players – Indian Oil Corporation Limited (IOC), Bharat Petroleum Corporation Limited (BPC) and Hindustan Petroleum Corporation Limited (HPC), have traditionally dominated the Indian market. IOC is the most dominant player in the market, but is under threat from various quarters. On the 1st of April 2002, the Government of India announced the deregulation of the Indian Hydrocarbon Industry. The Administered Pricing Mechanism has been done away with. This has led to increased threats from both, new entrants, as well as its traditional rivals.

Several multinationals that had entered the lubricants market have established brand recognition and are readying themselves to enter the Petroleum Retail Market. Reliance - the Petrochemical and Infocom giant - has already set up the largest grassroots refinery in India and has commenced retailing automotive fuels. Essar & Mangalore Refinery & Petrochemicals Ltd, (MRPL) are also gearing up to battle it out in the marketplace. The International giant, Shell, has been given permission to set up a 2000 strong Petroleum Retail Chain.

This has led to a change in perception in the market, with the choice moving from the seller to the buyer. In anticipation, over the last few years, the PSU Oil companies have spruced up the Retail Outlets and a slew of customer service initiatives have been kicked off to retain the customers. Branded fuels and multi functional fuel additives are available to the customer. High profile ad campaigns, Branded Retail Outlets and Fuels have made their dent in a hitherto undifferentiated commodity market.

The Challenges

- 1) BPC and HPC have a head start over IOC with reference to some key initiatives they have already undertaken.
 - Branding of petroleum products and advertising for the same, e.g., Power, Speed, etc.
 - Branding of Retail Outlets and advertising for the same, e.g., Pure For Sure, Club HP, etc.

- 2) Despite these changes, fuel purchase behaviour still smacks of consumer behaviour typically found in a commodity market. Consumers still tend to

choose retail outlets based on factors like convenience rather than brands of fuel or Retail outlets.

- 3) Competition has had a head start as they have branded their Retail Outlets as “Pure For Sure”, Club HP etc. IOC is just ready to re-launch their Retail Outlets under the “Q & Q” (Quality and Quantity” promise) along with a whole host of other offerings.

Indian Oil Corporation

Today IOC has a nationwide sales network of 22,000 sales points (including over 8000 retail outlets), backed by 169 bulk storage points.

- q It is the largest commercial enterprise of India (by sales turnover),
- q Is India’s lone representative in the Fortune's prestigious listing of the world's 200 largest corporations, ranked 189 for the year 2003.
- q Marketing Division of IndianOil caters to over 53% of India's petroleum consumption.

THE BRIEF

Brand : **XTRAPREMIUM**

Premium fuels are basically petrol with an additive to ensure better fuel and vehicle performance. Petrol cars run on Spark Ignition technology, wherein Octane rating of the fuel is paramount for optimum performance. Most of the modern generation cars especially those in the B+ to D segment, are designed for a 91-Octane Petrol as opposed to the 88 Octane Petrol that is normally available in the country. **Keeping this in mind IOC launched, XTRAPREMIUM - India’s one and only 91 Octane Petrol with Multi Functional Additives blended as per a special formulation.** Even as on date XTRAPREMIUM is the only 91 Octane Petrol available in the country.

Advantage of higher 91 Octane Number vis-à-vis normal 88 Octane in the premium petrol of other oil companies

- q **91 Octane :**
 - o Is fully compatible and ideally suited for the high compression ratios of the engines of new generation cars that ply on Indian roads, especially ‘B, C & D segment vehicles.
 - o Ensures “knock-free” operation throughout
 - o Improves engine efficiency and consequently better power, smoother operation, improved mileage and lower emissions.
 - o Ensures harnessing the full potential of the engine.

- q **The additional dosage of Additives ensures :**
- o Better drivability
 - o Added fuel efficiency
 - o further lowering of emissions ensured by keeping MPFI engines clean (of carbon deposits).
 - o Progressively removes the gummy deposits already formed in the system. This results in proper air-fuel mixture thereby improving combustion and reducing emissions levels.

By keeping the Engines, deposit-free, XTRAPREMIUM enables vehicles to deliver peak performance. Since all used vehicles have existing deposits, it will take a couple of tank fills before this new generation fuel makes the engine clean. That's when the vehicle owners can expect to actually experience a perceptible difference.

Target Audience

All “new generation” car owners & 4 stroke motorbikes in urban/metro centres

Competition: Speed (BPC), Power (HPC)

Both Speed and Power are 88 Octane Petrol but are treated with Multi Functional Additives to impart improved performance. The table below captures the comparative properties of the branded fuels as well as the normal petrol.

Competition in Branded fuels market

SI	DETAILS	IOC'S XTRAPREMIUM	BPC'S SPEED	HPC'S POWER	Normal Petrol
1	Blended in	Refinery	Supply Point	Supply Point	No blending
2	Octane	91	88	88	88
3	Benefits offered	<ul style="list-style-type: none"> • Extra Mileage • Greater Acceleration • Faster Pick-up • Engine Knocking eliminated • Smoother driving • Reduced Emissions 	<ul style="list-style-type: none"> • Extra mileage • Greater acceleration • Engine's peak performance • Smoother driving • Reduced emissions. 	<ul style="list-style-type: none"> • Extra mileage • Greater acceleration • Improved driving comfort • Reduced emissions 	

		<ul style="list-style-type: none"> • Lower Maintenance costs • Longer Engine life 	<ul style="list-style-type: none"> • Lower maintenance costs 		
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Price / Cost of XTRAPREMIUM :

Priced above normal petrol but on par with Speed & Power. (Difference in cost between premium and regular petrol – about 4%)

Advertising

1) Creative Campaign of the product- The peg was “Savings and Mileage” with various executions like **Elephant/Pet on TVC and press, Shopping Mall in press, Tendulkar Coach and Karaoke on Radio.**

Advertising Baseline at the time of launch was : **Extra Mileage, Extra Savings**

The peg from June 2004 has been “ 91 octane petrol with additives, the best your vehicle can get”

2) A TV commercial depicting mileage (calendar TVC) was released in July across India, supported by Outdoor.

Soon after the title-sponsorship of the Asia Cricket Cup was bought by IndianOil. IndianOil Asia Cup was promoted heavily on TV ESPN/Star Sports & Outdoor/Print. New Communication with Yuvraj Singh, the brand ambassador, depicting mileage, was released during the IndianOil Asia Cup and used extensively thereafter in Olympics coverage, ICC Championship etc. New Communication “Hair-do” TVC was also launched during Olympics, on DD. This communication and another new communication featuring Irfan Pathan, another brand ambassador for XTRAPREMIUM, is currently on air for the India-Australia series.

In print, there was a goodwill ad for Yuvraj & Irfan and a 3 ad campaign educating the readers on 91 Octane petrol was staggered over the past 3 months.

Association with Cricket continues. It is part of the strategy to reach across and establish.

ICC Championship, now the current India Australia series have new TV commercials on Pick up and another on Mileage added on. (refer agency faqs)

Word Of Mouth strongly encouraged thru aggressive forecourt promotions, sales promotional activity by the local offices.

Endorsements by Maruti, association with Raide de Himalaya, endorsements by automagazines and with Murad Ali Baig are working towards building the brand power.

How is it performing (in terms of mkt share, in terms of volume)?

Marketshare - 27% (Speed has roughly 48% and Power enjoys the rest)

Some thoughts...

- Ø XTRAPREMIUM is doing well, increasing market share gradually but steadily as Retail outlets are also added to the footprint of supply points.
- Ø By March 2005, Euro III norms make 91 octane fuels mandatory in most metros While this will help volumes grow, the octane difference will no longer be valid.
- Ø Competition has launched a higher octane variant Speed 93 Octane.
- Ø Competition has been advertising its premium petrol brands for a while now, and has a 2-year head start on IOC as far as advertising is concerned.

The Task

The path forwards for IndianOil's XRTAPremium in terms of communication and retailing/product strategy.

This should include:

- The key drivers/motivators in this category
- Perceptions of major players
- Key Target Audience
- Brand Positioning
- Brand Personality
- Communication Objective

- Communication Strategy
- Product & Pricing Strategy
- Retailing strategy.