

Distribution point satisfaction for Retail outlet Dealers



Report submitted to Hindustan Petroleum Corporation Limited for the fulfilment of
summer Internship

INTEGRATED BBA+MBA (Oil & Gas)

Guided by:

Mr. S K Bhatnagar
Chief Manager - Training



Submitted by:

Harshit Suyal



REFERENCE COPY

College of Management and Economic Studies
University of Petroleum and Energy Studies
Dehradun, Uttarakhand, India

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Abstract

Retail Outlet dealer satisfaction is the foremost concern of company like HPCL because they are the final point of contact to the customer. Distribution point for a particular retail outlet dealer largely decides its satisfaction.

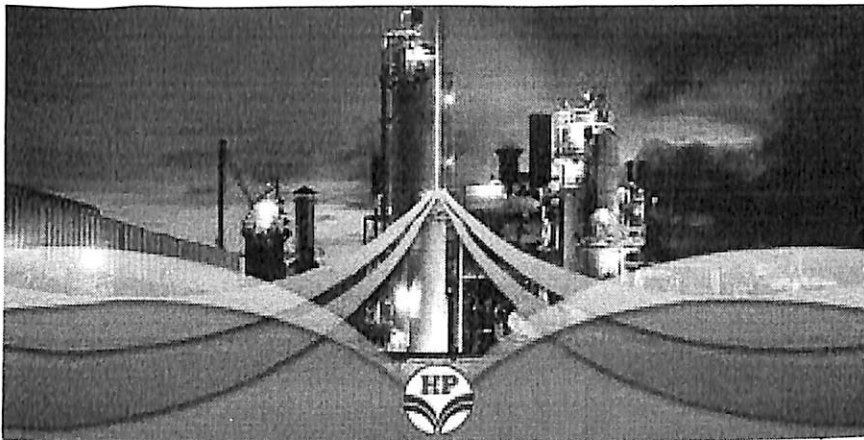
So there is a needed to study this topic as a satisfied retail outlet owner thus produces satisfied customers. The basic motive of the research is to identify the reasons which make a particular dealer dissatisfied and satisfied and analyze the data recorded to draw levels of satisfaction and dissatisfaction with respect to each factor.

Tracing the satisfaction of the dealer is very important for the company to further implement its plans and strategies. As distributor is the outsourced part of organization its opinion should be reviewed time to time regarding their distribution point. This report is also kind of strength and weakness analysis with respect to distributor.

In HPCL dealers have a lot of loyalty and zest but still there are few reasons which at times make dealers unsatisfied. The project further leads to better understanding these reasons and suggestion based on which these dissatisfactions can be removed.

About HPCL

Hindustan Petroleum Corporation is a government of India enterprise. It is a Mega Public Sector undertaking (PSU) with Navaratan status with an annual turnover of Rs.1,60,011crores. Hindustan Petroleum Corporation Limited (HPCL) (BSE: 500104, NSE: HINDPETRO) is an Indian natural gas company with its headquarters at Mumbai, Maharashtra. HPCL has been ranked 267th in the Fortune Global 500 rankings of the world's biggest corporations and 4th among India's Companies for the year 2012. HPCL has about 20% marketing share in India among PSUs and a strong marketing infrastructure. The President of India owns 51.11% shares in HPCL.



HPCL was incorporated in 1974 after the takeover and merger of Erstwhile Esso Standard and Lube India Limited by the Esso (Acquisition of Undertakings in India) Act 1974. Caltex Oil Refining (India) Ltd.- CORIL was taken over by Govt. of India in 1976 and merged with HPCL in 1978 by the CORIL-HPCL Amalgamation Order, 1978. Kosan Gas Company was merged with HPCL in 1979.

In 2003, following a petition by the Centre for Public Interest Litigation (CPIL), the Supreme Court of India restrained the Central government from privatizing Hindustan Petroleum

and Bharat Petroleum without the approval of Parliament. As counsel for the CPIL, Rajinder Sachar and Prashant Bhushan said that the only way to disinvest in the companies would be to repeal or amend the Acts by which they were nationalized in the 1970s. As a result, the government would need a majority in both houses to push through any privatization

HPCL has been steadily growing over the years. The refining capacity steadily increased from 5.5 million metric tonnes in 1984/85 to 14.80 million metric tonnes (MMT) as of March 2013. On the financial front, the Net income from Sales/operations grew from IN ₹2687 crores in 1984-85 to IN ₹2,06,529 Crores in Financial year 2012-13. During FY 2012-13, its net profit was IN ₹904 Crores.

HPCL operates two major refineries producing a wide variety of petroleum fuels & specialties, one in Mumbai (West Coast) of 6.5 Million Metric Tonnes Per Annum (MMTPA) capacity and the other in Vishakapatnam, (East Coast) with a capacity of 8.3 MMTPA. HPCL holds an equity stake of 16.95% in Mangalore Refinery & Petrochemicals Limited (MRPL), a state-of-the-art refinery at Mangalore with a capacity of 9 MMTPA. Another Refinery of 9 MMTPA, set up in Bathinda, Punjab by HMEL, a Joint Venture with Mittal Energy Investments Pt.Ltd. HMEL has commenced commercial operations. HPCL has signed a MOU with Government of Rajasthan for setting up a Refinery near Barmer in Rajasthan.

HPCL also owns and operates the largest Lube Refinery in India producing Lube Base Oils of international standards, with a capacity of 335 TMT. This Lube Refinery accounts for over 40% of India's total Lube Base Oil production. Presently HPCL produces over 300+ grades of Lubes, Specialities and Greases.

The marketing network of HPCL consists of 13 Zonal offices in major cities and 101 Regional offices facilitated by a Supply & Distribution infrastructure comprising Terminals, Aviation Service Facilities, LPG Bottling Plants, Lube filling plants, Inland Relay Depots, Retail Outlets (Petrol Pumps) and LPG & Lube Distributorships. HPCL has state of art information technology infrastructure to support its core business. The data center is located at Hi-tech city in Hyderabad.

1. Known as **Motor Spirit (MS)** in Oil Industry. HPCL markets the product through its retail pumps spread all over India. Its principle consumers are regular personal vehicle owners.
2. **Diesel:** Known as Heavy Stock Diesel (HSD) in Oil Industry. HPCL markets the products through its retail pumps as well as terminals and depots. Its consumers are not only regular auto owners but also transport agencies, industries etc.
3. **Lubricants:** Riding on its brand – HP Lubes, HPCL is the market leader in lubricant and associated products. It commands over 30% of market share in this sector. The popular brands of HP lubes are LaalGhoda, Milcy, Thanda Raja, Koolgard, Racer4, etc.
4. **LPG :** HP GAS, The HPCL brand of LPG is a popular brand across India for domestic and industrial uses..
5. **Aviation Turbine Fuel** with major ASF (Air Service Facility) present in all major airports of India. HPCL is a key player in this sector supplying ATF to major airlines. It has an accomplishment of sorts to supply fuel to US Air Force 1.
6. **Bitumen**
7. **Furnace Oil**

INTRODUCTION

Dealer is a very important strategic unit of Petroleum marketing business. Through dealer the company delivers its product & services to the end consumer. Besides this company also implements its marketing and promotional activities through dealer. Retail outlet is the face of the company. Thus a well-managed retail outlet by the dealer can make company progress.

Distribution point is one of the most important unit which decide dealer's satisfaction level because it is the point from where physical movement of product takes place to the retail outlet. A well maintained collaboration of distribution point and retail outlet dealer is foremost important.

It is certain that a satisfied dealer produces better result. So identification of the factors which make dealer satisfied is very important. The research is an attempt to establish these factors and draw dealer's satisfaction level with respect to the distribution point. Further analysis of the each factor is done in accordance to dealer's response.

Dealer:

A Retail outlet dealer conducts the function selling MS (Motor Spirit) and HSD (High speed diesel) in the behalf of the company. The dealer receives commission on the basis of volume of sales of the petrol pump.

Distribution Point:

Distribution point is the terminal from where MS and HSD is send to the respective Retail outlet for sale through tank trucks of variable capacities. The terminal delivers the fuels as demanded by the retail outlet dealer.

Dealer Satisfaction:

Satisfaction is a function of the difference between the perceived performance and expectations. In today's market companies seek to win dealer's expectations. A company must evaluate dealer's expectation, perceived company performance and dealer satisfaction. At times company cannot draw the conclusion about dealer's satisfaction level by dealer meets or running complaints and suggestions.

At times dealers may feel that their complaint is too small or the problem will solve after time. So it is needed for companies to conduct periodic survey that provides more appropriate scenario of the situation.

Selection for parameters:

Research started with selection of parameter for the study. For this the personal interview of following people in Vashi terminal, HPCL was conducted:

- Officers from Planning Department
- Officer from Quality Control Department
- Field officers
- RO Dealer
- Transporters
- Drivers

On the basis of interaction following **parameters/variables** were drawn:

- Execution of Indent

- Timely delivery of product
- Financial/Banking Services
- Behavior of HPCL staff
- Neat and effective transmission of product
- Technological efficiency of HPCL
- Responsiveness of HPCL towards dealers problems
- Quality of product
- Quantity of product

Objectives of the research

1. To identify the parameters that affects the dealer satisfaction with respect to distribution point.
2. To understand the importance of dealer satisfaction for a company like HPCL.
3. To identify the effect of each parameter upon dealer.
4. To come out with suggestions for distribution points of HPCL to improve their dealer satisfaction.
5. To find out the suggestions of dealers for improvement of their distribution point satisfaction .

Limitation of research

1. Since the research was done only for Vashi terminal the result obtained may not be taken as a universal suggestion.
2. Quality of information highly dependent on the knowledge of respondents.
3. The results may not be accurate because the survey is of HPCL dealers and hence there is possibility of biasness.

Research Methodology

Population included the dealers who have Vashi terminal as their distribution point.

Type of research methodology: used descriptive-qualitative type of research methodology

Design of sampling plan:

I used stratified sampling plan to choose my sample. As the group dealers were made according to zones and random selection of petrol pumps dealers was done.

Determination of sample size: I used 30 as my sample size justified for my research according to central limit theorem.

Execution of survey: I used questionnaire and personal interview of dealers for collection of data.

Sources of Data:

Primary sources: Collection of data through questionnaire and personal interview

Secondary sources: Here collection of secondary data took place from web sites, Company's data and profile sheets.

Analysis

Frame work of analysis:

Various statistical tools are used for analysis. The statistical analysis is useful to draw inference from collected information. I used following Statistical tools for the analysis:

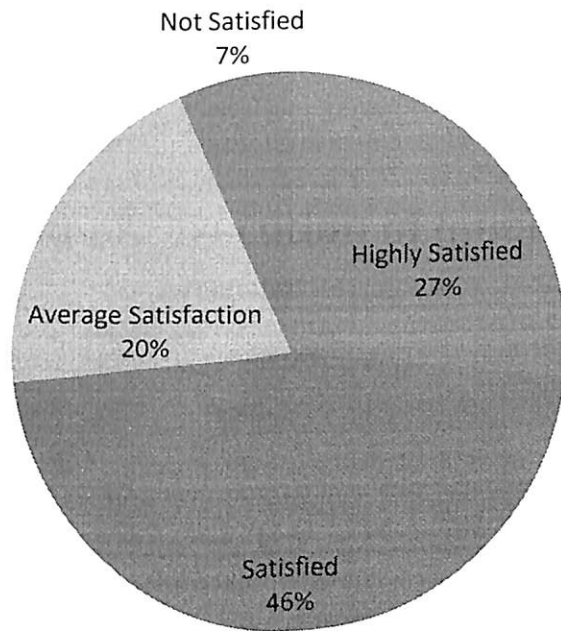
- Simple percentage analysis
- Pie Charts

Timely Execution of indent:

Indent is the term used for placing order. The order placement can be tracked through Internet. Sometimes the execution of indent is delayed and this at time makes dealers dissatisfied. The research shows these findings:

Highly Satisfied:	8
Satisfied:	14
Average Satisfaction	6
No satisfaction	2

Timely execution of indent



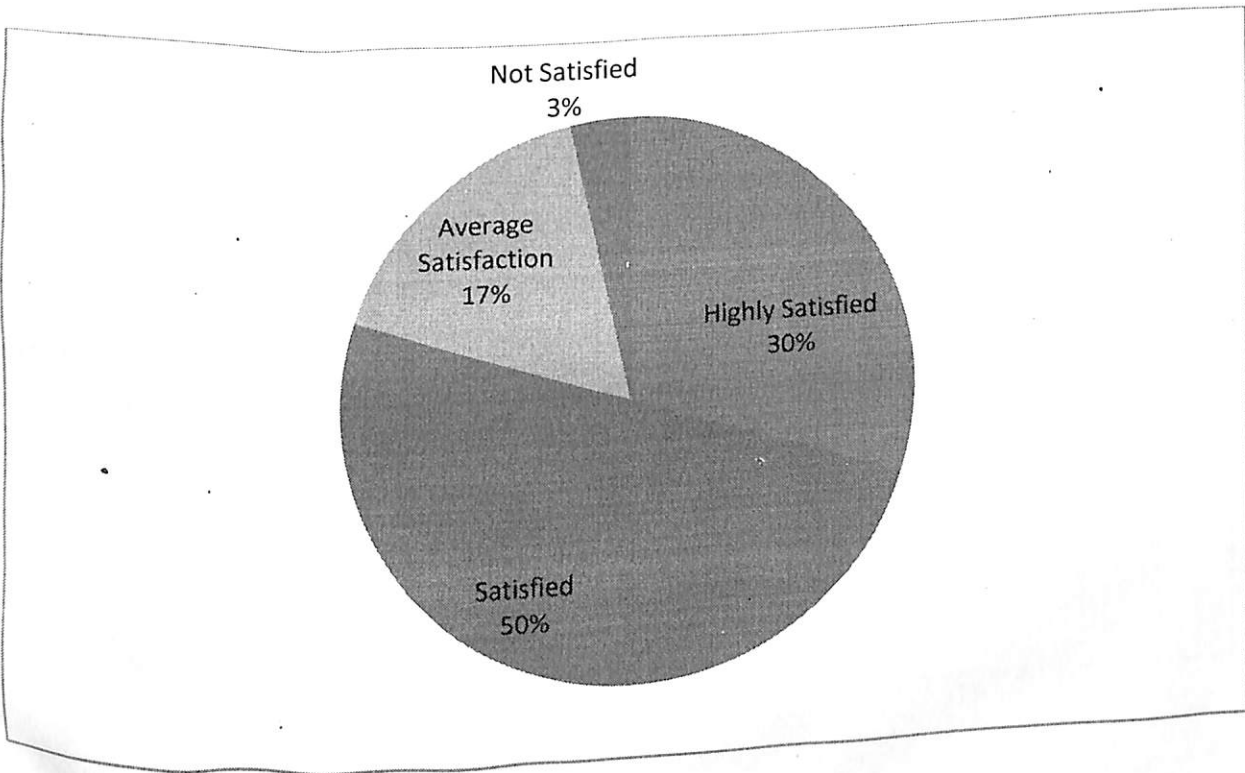
Most of the dealers are satisfied. Few dealers are not satisfied with the timely execution of indent. The major reasons are technological breakdowns which were reported by few dealers.

Timely delivery of product

Companies compete on the basis of timely delivery of product; it is very important factor for company's success and dealer satisfaction.

Table 1

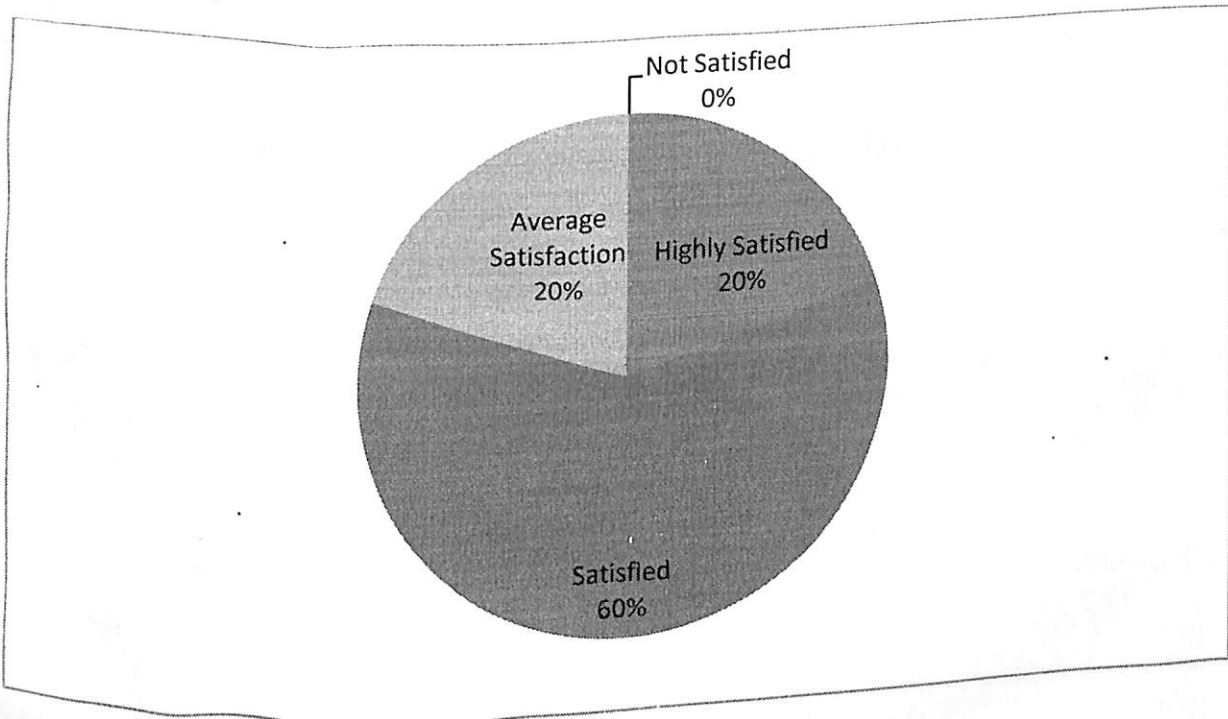
Highly Satisfied:	9
Satisfied:	15
Average Satisfaction	5
No satisfaction	1



Mostly the dealers cum transporters are happy with timely delivery. About 50% of the dealers are satisfied and 30% are highly satisfied. About 3% dealers are not satisfied with timely delivery.

Behavior of HPCL Staff

Highly Satisfied:	6
Satisfied:	18
Average Satisfaction	6
No satisfaction	0

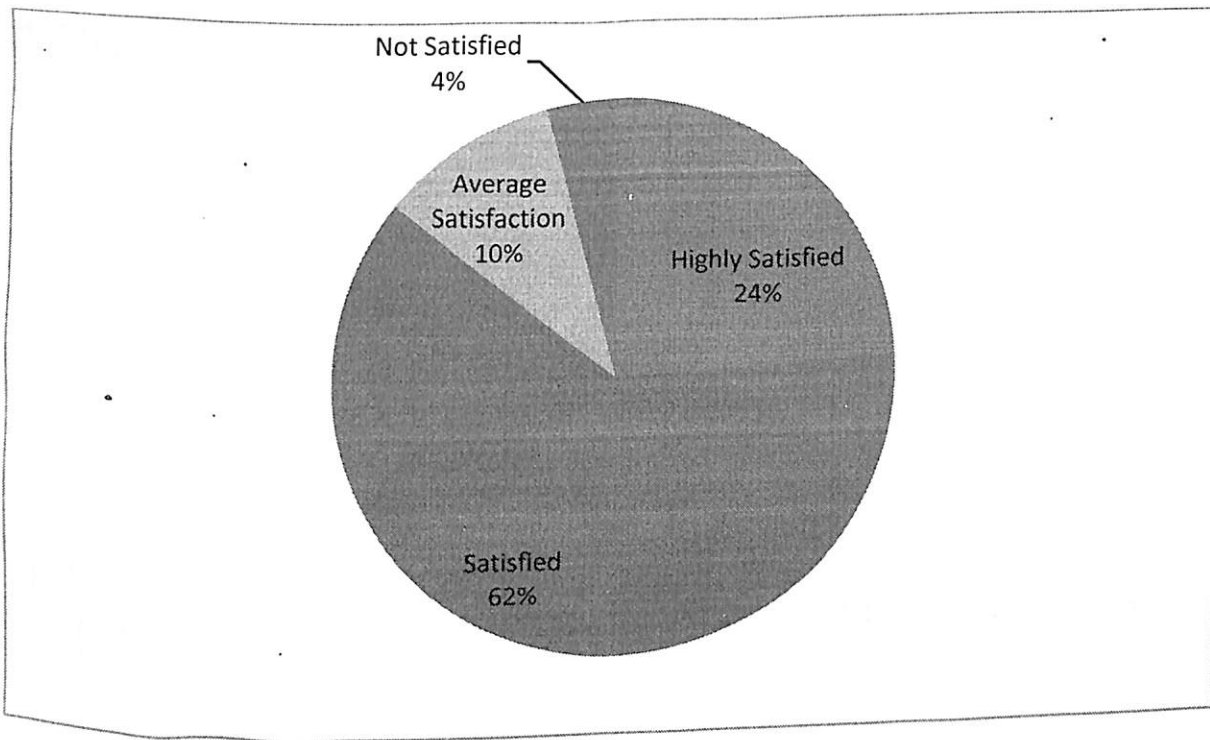


Most of the dealers are satisfied from the behavior of HPCL about 60% of dealers are satisfied and there was no dealer which is not satisfied.

Neat and effective Transmission of product:

Table 2 .

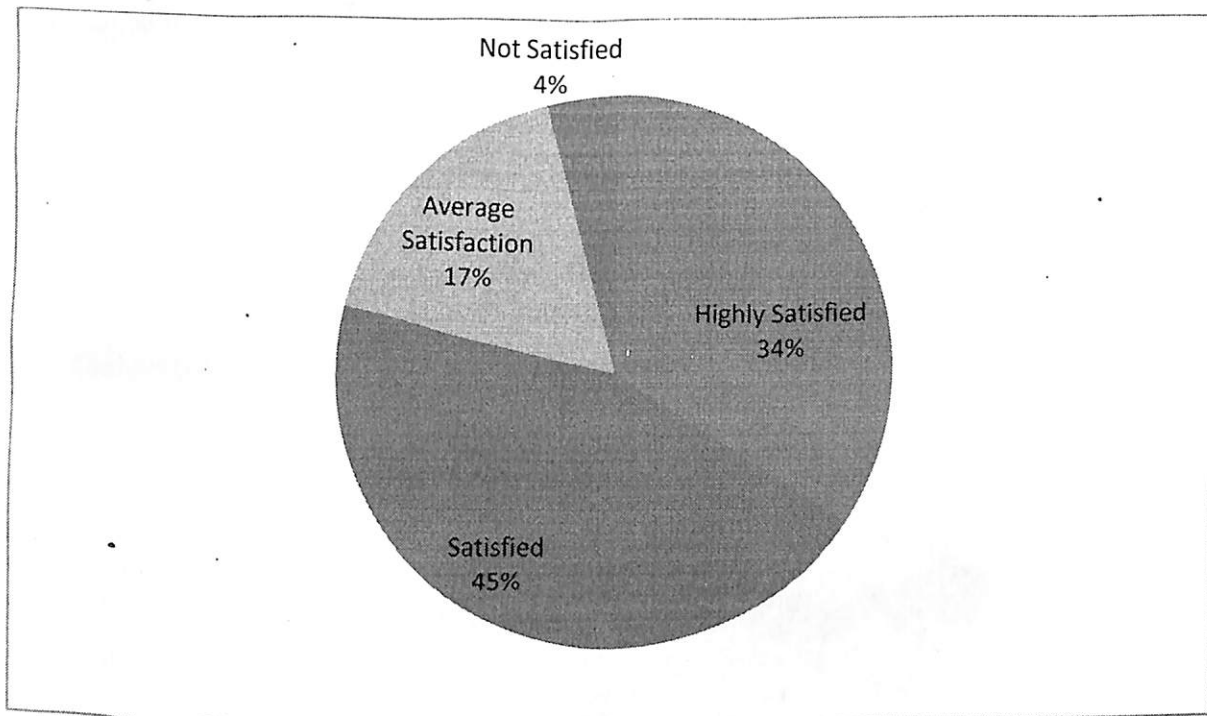
Highly Satisfied:	7
Satisfied:	18
Average Satisfaction	3
No satisfaction	2



Most of the dealers are satisfied or highly satisfied still 4% of the dealers show dissatisfaction.

Technological efficiency:

Highly Satisfied:	10
Satisfied:	13
Average Satisfaction	5
No satisfaction	2



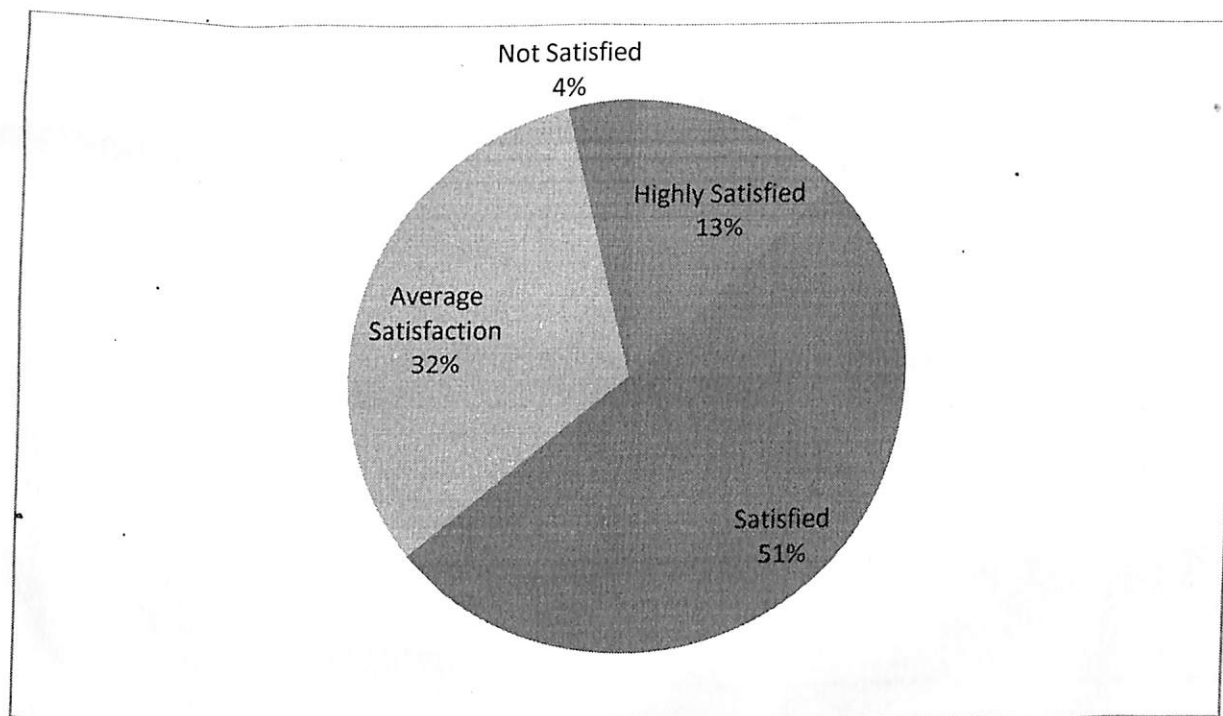
Most of the dealers are highly satisfied or satisfied with the technological efficiency of HPCL.

Responsiveness of distribution point towards your problems:

Responsiveness to problem is the time taken by the company to solve the problem. Quick responsiveness can solve the problem quickly and make dealer satisfied.

Table 3

Highly Satisfied:	4
Satisfied:	16
Average Satisfaction	10
No satisfaction	0

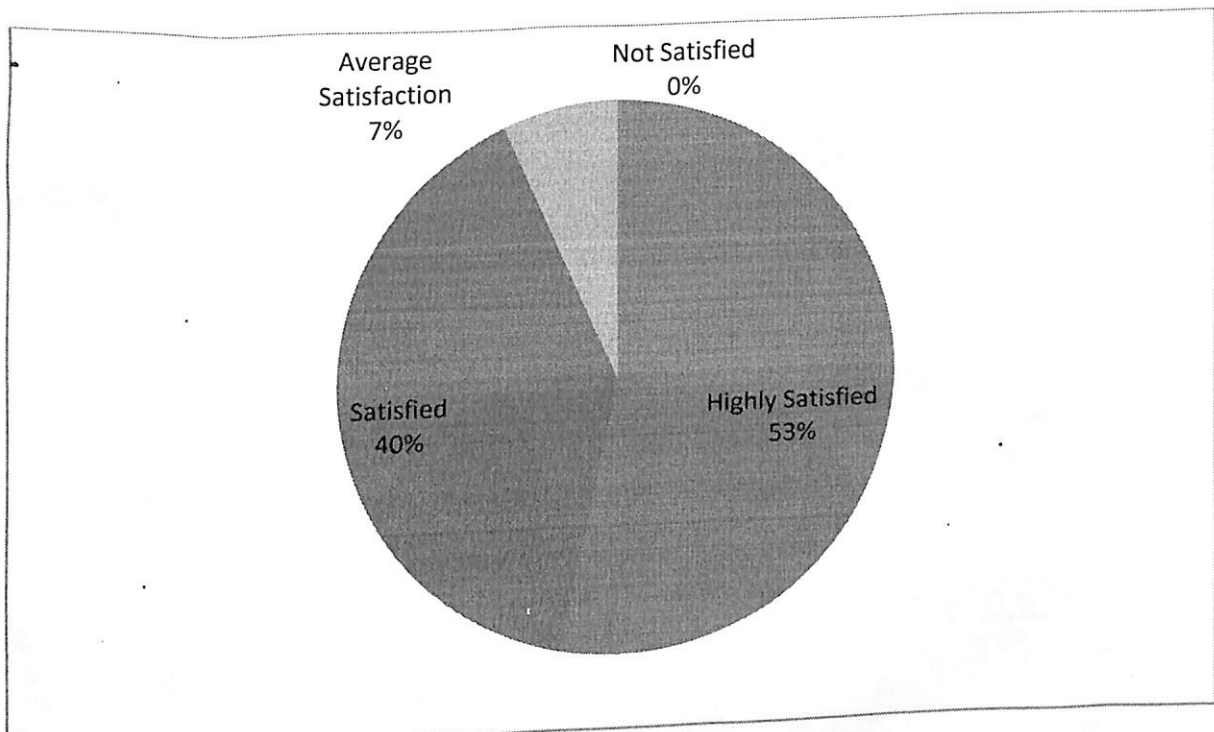


51% of customers are satisfied. About 32% of the dealers have an average satisfaction regarding responsiveness.

Quality of product Received:

Table 4

Highly Satisfied:	16
Satisfied:	12
Average Satisfaction	2
No satisfaction	0

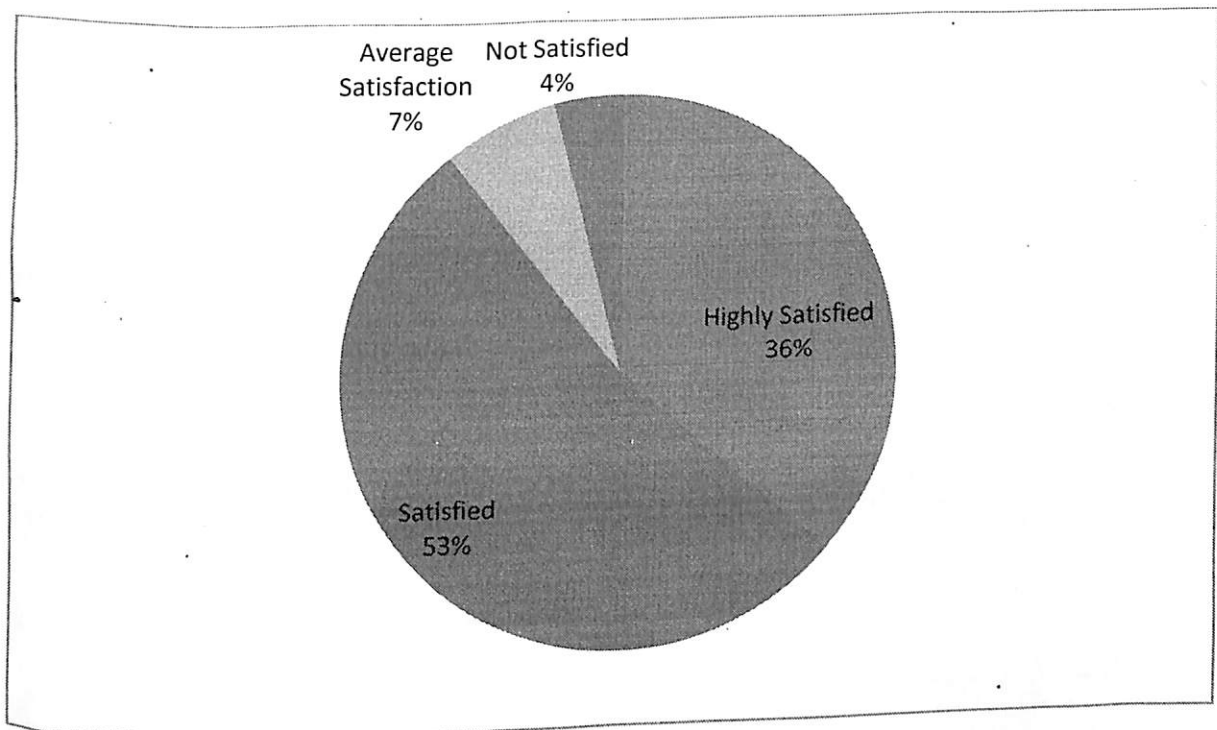


Dealers are very happy with the quality of product received with 53% of dealers being highly satisfied and no unsatisfied dealer.

Quantity of product received:

Table 5

Highly Satisfied:	11
Satisfied:	16
Average Satisfaction	2
No satisfaction	1

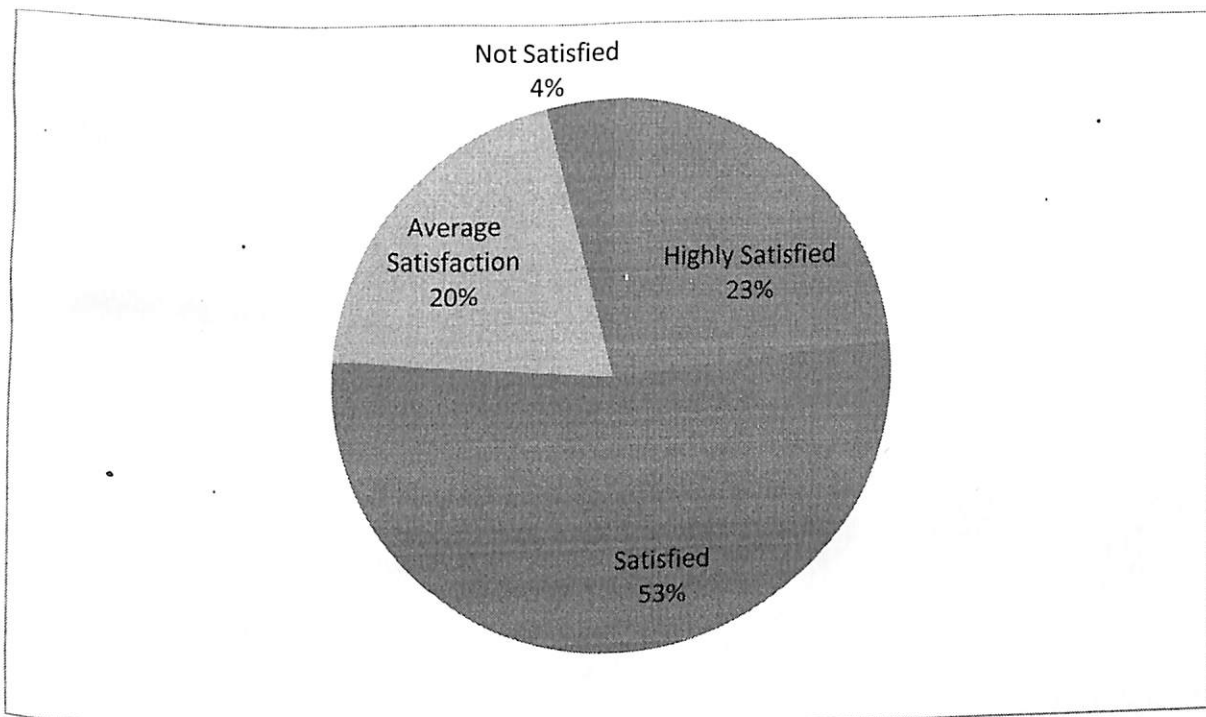


Most of the dealers are satisfied or highly satisfied with the quantity received.

Problem being timely Resolved:

Table 6

Highly Satisfied:	7
Satisfied:	16
Average Satisfaction	6
No satisfaction	1

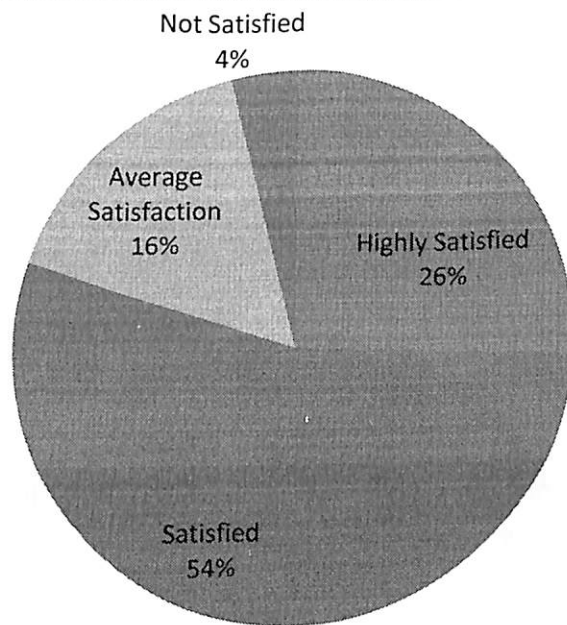


53% of the dealers are satisfied but more than quarter of the dealers are not fully satisfied.

Overall Satisfaction Level from distribution point:

Table 7

Highly Satisfied:	8
Satisfied:	17
Average Satisfaction	5
No satisfaction	0



About 54% dealers are overall satisfied and 26% are highly satisfied which shows the overall satisfaction level to be higher.

Suggestions for improving dealer satisfaction

1. Automation for the placement of indent. The indent placement should be designed such that it should warn the dealer if the fuel goes below some level and should place auto indent if the fuel level drops to below recommended level.
2. Special conferences for dealers where they can be trained and educated regarding HPCL's operations and also be taught about the significance of strategies implemented by HPCL.
3. A more hi-tech locking system of the tankers can be used so that dependency upon the tanker may be increased.
4. VMS GPS systems need to be fully operational to provide monitoring of the tanker trucks.
5. Few dealers have reported some technological breakdown while using HPCL portal so there is a need to strengthen the technical infrastructure to avail proper connectivity between the distribution point and the dealer.
6. A dedicated communication point with collaboration of distribution terminal planning department should be set up in the distribution point to handle dealer's problem.

CONCLUSION

Analysis of the dealer's response already shows that overall dealer satisfaction is high and dealers are happy regarding their distribution point. But the reason to start this research was identifying the loop holes. The research shows needs in improvement in field of technology, communication, responsiveness to indent, management of transport trucks etc.

The interview of few dealers suggested that often dealer is partially informed about the motives, strategies, aim, new managerial software and other systems adopted by the company. The foremost reason for dissatisfaction of dealers is mostly improper communication of the reasons behind adopting any policy. Most of the dealers are very old dealers, some are as old as 40 to 50 years they have been following a pattern or method of receiving and selling products when these techniques or so called managerial techniques are changed time to time and are not communicated properly to them they feel unsatisfied. This problem can be easily solved by educating the dealers and conducting specialized conferences and improving communication between dealers and distribution point.

In the time when HPCL is moving ahead with a cutting edge competition some of the dealer dissatisfaction is bound to occur with change from traditional methods to the world of automation these small problems will always roadblock but later dealer satisfaction is bound to rise when the technology and adoptability come in place. Few changes if adopted can really help in better relations with dealers. Thus HPCL has a very bright future with its dealers and together they have a strong potential to lead the market.

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Questionnaire

Location:

Urban

Sub-urban

Highway

Rural

1. Are you satisfied with timely execution of indent:

Highly satisfied

Satisfied

Average satisfaction

Not satisfied

2. Are you satisfied with timely delivery of the products:

Highly satisfied

Satisfied

Average satisfaction

Not satisfied

3. Are you satisfied with the behavior of HPCL staff:

Highly satisfied

Satisfied

Average satisfaction

Not satisfied

4. Are you satisfied with the neat and effective transmission of products from truck into the tanks:

Highly satisfied

Satisfied

Average satisfaction

Not satisfied

5. Are you satisfied with the technological efficiency of HPCL:

Highly satisfied

Satisfied

Average satisfaction

Not satisfied

6. Are you satisfied regarding responsiveness of distribution point towards your problems:

Highly satisfied

Satisfied

Average satisfaction

Not satisfied

7. Are you satisfied with the quality of product received:

Highly satisfied

Satisfied

Average satisfaction

Not satisfied

8. Are you satisfied with the quantity of product received:

- | | |
|----------------------|---------------|
| Highly satisfied | Satisfied |
| Average satisfaction | Not satisfied |

9. Do you feel comfortable lodging the complain about your problems in your retail outlet:

- | | |
|-----|----|
| Yes | NO |
|-----|----|

10. What was the medium of loading the complaint:

- | | |
|---------------------|----------------------|
| Telephonic | RO portal |
| Written application | Personal interaction |
| Email | If other specify |

11. Are you satisfied about your problem being resolved timely:

- | | |
|----------------------|---------------|
| Highly satisfied | Satisfied |
| Average satisfaction | Not satisfied |

12. Overall Satisfaction level from your distribution point:

- | | |
|----------------------|---------------|
| Highly satisfied | Satisfied |
| Average satisfaction | Not satisfied |

13. Recommendations to improve your distribution point satisfaction:

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Report is too short
need to know paper.

[Signature]
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