



PETRO RETAILING PROSPECT OF NON-FUEL BUSINESS

BY

VIKRAM SAIGAL

GUIDED BY
DR. SANJEEV VERMA

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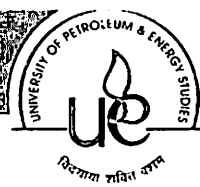
COLLEGE OF ENGINEERING
UNIVERSITY OF PETROLEUM & ENERGY STUDIES, INDIA
A1, Kailash Colony, New Delhi 110048

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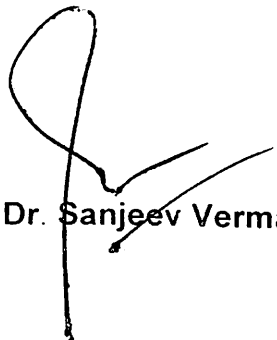


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Certificate of Originality

This is to certify that the dissertation report on "**Petro retailing- Prospect of Non Fuel Business**" submitted to the University of Petroleum & Energy studies, Delhi by **Vikram Saigal**, in partial fulfillment of the requirement for the award of the degree of **Masters of Technology (Petro Informatics)**, is a bonafide work carried out by him under my supervision and guidance.

Date: 15.05.2006



Dr. Sanjeev Verma

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OBJECTIVE

Objective of this dissertation is:

1. To study the trend of petrol retailing in India to find feasibility for non-fuel business.
2. To find the attitude and expectations of customers for non fuel business
3. To identify the key target segments of non-fuel business and buying motives of target segment customers.
4. To identify which factors contribute to the success of non fuel business at different retail outlets to
5. To recommend strategies for attracting and retaining target segment customer by
 - a. presenting the ideal NFB mix in an RO
 - b. Improvement in customer delight of the total offering at the stores of non-fuel business
 - c. Improvement in the profitability of non-fuel business.

Synopsis

- 1) **TITLE:** "Retail Outlet: *Prospect of Non-Fuel Business*".
- 2) **OBJECTIVE:** The objective of this dissertation is to discuss feasibility of non-fuel business at retail outlets for Indian market. The dissertation will cover factors for emergence of non-fuel business at retail outlet and the necessity of it for betterment of company's revenue and brand image.
- 3) **SCOPE:** The scope of this dissertation will be to find out applicability of non fuel business and their success factors on different locations
- 4) **METHODOLOGY:** For this dissertation, I will be secondary data as well as primary data with the help of survey by visiting to various retail outlets (COCO & CODO). Apart from that, help will be taken faculty members of UPES.
- 5) **HYPOTHESIS:** Following are the hypothesis for this dissertation which will be proved sequentially.

Non fuel Business:

- a) **H0:** doesn't depend on locational preferences (*null hypothesis*)
H1: does depend on locational preferences (*alternate hypothesis*)
- b) **H0:** does not help to attract new customers and retain old ones.
H1: help to attract new customers and retain old ones. .
- c) **H0:** Marketing strategies do not need to be different for specific age group as well as specific segment of population.
H1: Marketing strategies do not need to be different for specific age group as well as specific segment of population.
- d) **H0:** Company's brand has no considerable influence on visiting these stores.
H1: Company's brand also has considerable influence on visiting these stores.
- e) **H0:** Customers do not use RO for non fuel business.
H1: Customer also visit petrol station only for non fuel business

EXECUTIVE SUMMARY

Petrol pumps are no longer just fuel dispensing outlets. Sporting all new look and a retailer friendly approach, they are ready to out-smart some of the best retail chains in the country offering grocery, medicines, flowers, fruits, fast food, pollution check points, services like insurance, courier, banking and the list is endless.

Like most other global players in the industry, in order to increase the non-fuel revenues and more importantly to provide a better customer satisfaction, the Indian petroleum companies like *IOCL*, *BPCL*, *HPCL* and *Reliance* are all coming up with the plans of starting their retail chain across the country. These Indian oil companies have opened non fuel business options at the retail outlets to attract the customers.

The dissertation titled - "***PETRO RETAILING: Prospect of non-Fuel Business***" is an earnest attempt to study the feasibility of convenience stores located at various retail outlet across the country.

The study was conducted in *South Delhi*. The visit to each store involved in depth collection of quantitative data –customer churning, sales, category wise sales, revenues generated, actual number of customers and other imperative data.

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BACKGROUND

The Petroleum industry is the backbone of the economy of any country. In India, it forms a major portion of the economy. The entire value chain is a complex network that caters to the need of the fuel driven economy of India.

Supply chain as a whole can be broken into three major portion namely: upstream, midstream and downstream. *Downstream* forms a driving force in meeting the needs of the end customers. Downstream retailing involves various business processes proceeding to deliver fuel to customers. Retail outlets form the nodal ends in the downstream operation.

Indian Petroleum Retailing Industry

The Indian Petroleum retailing industry is today poised to make giant strides both in terms of new forecourt retailing opportunities and superior customer offerings at the retail outlet. With the onset of the post APM deregulated scenario, the spirit of competitiveness amongst the petroleum companies augurs well for the consumer with each of the companies adopting innovative ways to capture a larger part of the consumers mind share.

Given today's competitive environment, oil-marketing companies, both existing and new entrants, are going full steam ahead to capture the largest share of the pie. With 30,000 petrol and LPG retail outlets expected in the next 5 years, up by 30% from today, there will be a downward pressure on profit margins and revenues per outlet which will push the industry to reinvent itself.

With the emergence of organized retailing (organized retail, at a present comprises merely 2 percent of the total market in India which means that the untapped segment amounts to a whopping Rs. 9800 billion or \$225 billion) in the country and a growing demand from consumers for a superior shopping experience, **Convenience Retailing** has emerged as a key business area for petroleum companies given their wide retail presence, existing customer base and strategically located sites. Convenience need gaps have been felt in

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various fields and research has shown that the urban consumer today seeks convenience in shopping for their basic requirements so that their precious time is reserved for more fruitful pursuits. Petrol retail outlets provide the right framework for setting up convenience retail chains where the consumer has the opportunity of combining shopping with the fuelling occasion.

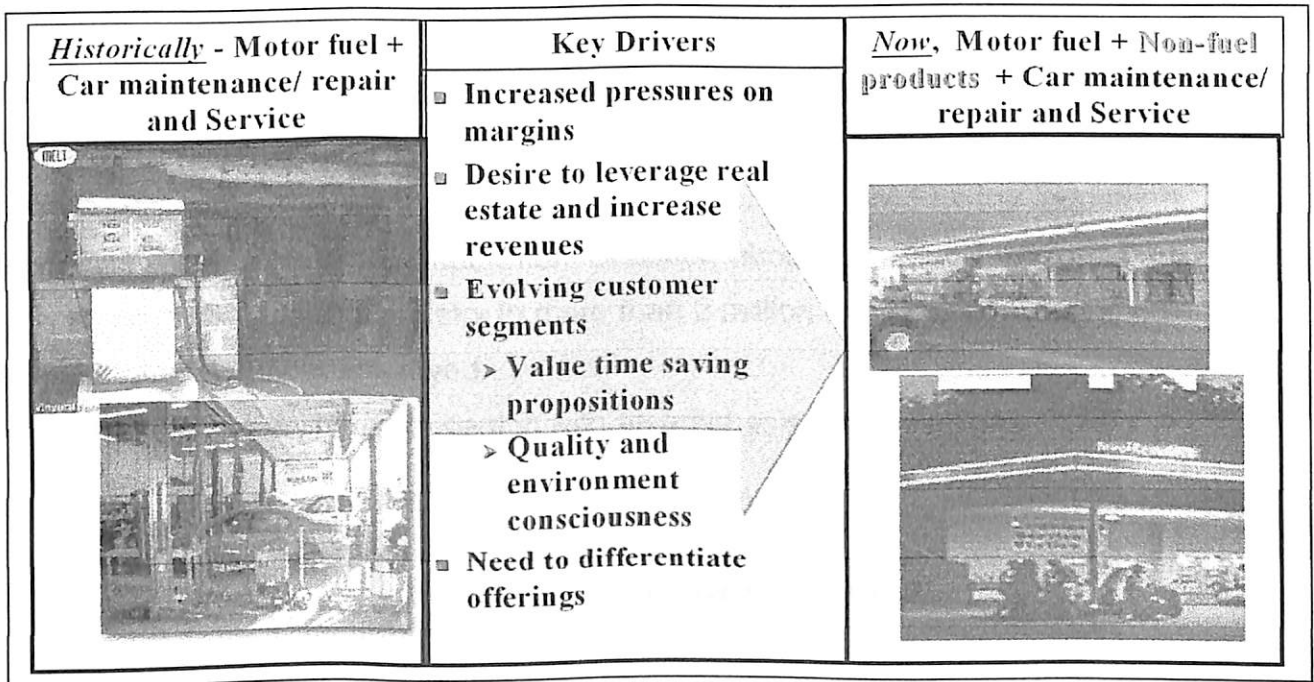
The availability of footfall in the petrol retail outlets gives petroleum retail companies the competitive advantage. Worldwide, petrol station convenience stores have developed into a serious business in itself with companies like Shell, Caltex, and British Petroleum running their convenience store chains very profitably. All of them have deployed best retail practices in their stores and offer a wide range of services including laundry, postal services, courier services, fast food etc.

Like their Western cousins who have emphasized in their marketing strategy that opening of non-fuel services has boosted the sales of their regular business, the Indian counterparts are not to be left behind in the race. This can be seen from oil majors like BPCL, HPCL and IOCL going in for utilizing the forecourt space for providing services like ATM, Service centers, coffee shops & fast food junctions etc. The openings of In & out shops by BPCL, pact between IOCL, Barista and Coffee café Day etc are some major steps taken in dissection to improve the brand image of the company.

But in this race the oil companies have forgotten the end users. The very basic question "*whether the customers really want it?*" has been left unanswered. The non-fuel business sales form only 10% of the entire sales at the Indian RO, still lacking behind in generating profits. Whereas their western counterparts have seen non-fuel business as a driving force where they share 48% of the entire sales and act as a major profit generating entity.

RETAILING SCENARIO – GLOBAL

Globally, the petroleum retailing landscape has transformed from only Petro-products to multi-product and services.



Retailing in more developed countries is big business and better organized than what it is in India. Internationally, retail outlets are a very lucrative and an expansive industry that is also used as a convenience store making available generalized goods mainly along the state highways. Since petro-cum-store formats are well received, almost all outlets abroad have retail store value additions at their petrol pumps.

According to a report published by McKinsey & Co. along with the Confederation of the Indian Industry, the global retail business is worth a staggering US\$ 6.6 trillion. For instance, the organized retailing sector has an up to 80% share of retail sales in the United States. The corresponding figure for Western Europe is 70%, while it is 40% in Brazil and Argentina and 35% in Korea and Taiwan.

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Organized retailing in Asia, however, remains poorly developed, accounting for a paltry 20% in Malaysia, Thailand and China.

Non-fuel revenues of petroleum retailers contribute as much as 38.6% in the United States and 28% in France. They also contribute significantly to the profit stream with 65.8% of gross profits in the U.S and 40% in France.

The service sector accounts for a large share of GDP in most developed economies. And the retail sector forms a very strong component of the service sector. Hence the employment opportunity offered by the industry is immense. According to US Department of Labor, about 22 million Americans are employed in the retailing industry in more than 2 million retail stores – that is one out of every 5 workers employed.

Globally, retailing is customer centric with an emphasis on innovation in products, processes and services.

In short, ***the customer is the King!***

RETAILING SCENARIO – INDIA

The retail scenario in India is unique. Much of it is in the unorganized sector, with over 5 million retail outlets of various sizes and formats. Almost 96% of these retail outlets are less than 500 sq. feet in size, the per capita retail space in India being 2 sq. feet compared to US figure of 16 sq. feet. India's per capita retailing space is thus the lowest in the world.

With 5.5 outlets per 1000 people, India has the largest number of outlets in the world. Most of them are independent and contribute as much as 96% of the total retail sales.

Because of the increasing number of nuclear families, working women, greater work pressure and increased commuting time, convenience has become priority for Indian consumers. They want everything under one roof for easy access and multiplicity of choice. This offers an excellent opportunity for organized retailers in the country who account for just less than 2% (and modern stores 0.5%) of the estimated US\$ 180 billion worth of goods that are retailed in India every year. This figure is equivalent to the turnover of one single US based retail chain, Wal-Mart.

The growth and development of organized retailing in India is driven by two main factors – *lower prices* and the *benefits the customers can't resist*. According to experts, economies of scale drive down the cost of the supply chain, allowing retailers to offer more benefits to the customers.

The petro-product retailers who provide the interface between the petroleum sector and the consumers is the most critical link in the petroleum supply chain. The real challenge is therefore to strengthen this link in order to ensure ultimate customer satisfaction. The customer wants more value added services apart from the basic requirement of purchasing fuel from the petrol pumps. If these

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could be provided in a uniform manner across urban and rural areas, the face and service of the filling stations could change drastically.

The growth of the retail sector will make the retailers powerful intermediaries in the marketing channel, bridging the gap between the manufacturers and consumers. Many companies are hence taking to retailing themselves to be closer to the consumers. Therefore it will be the power of the consumer as well as the retailer in the marketing channel that will spearhead the growth of retailing in India.

CHANGING SCENARIO IN PETRO- RETAILING INDUSTRY

Retailing is expected to be the next sunrise industry after IT in India, with retail trade being pegged at Rs 400,000 crores in 1999. Projections are that it will increase to Rs 800,000 crores by the year 2005.

With opportunities of earning higher margins by diversification, **Convenience Retailing** through petrol pumps has become the buzzword today. Oil companies have revamped their petrol pumps with attractive branding. The result will be to derive additional income for petrol pumps and at the same time offer value addition to the customer.

Considering that petrol products are of daily demand with a high consumption rate, some of the public sector companies are resorting to international patterns and have initiated convenience stores within their pump outlets as a one-stop retail shop to attract their petrol customer. These stores have become a brand name for the company and offer products of other companies for display and sale. Some of the brand names launched by companies are: **HPCL's "Club HP"**, **IOC's "Convenio"** and **BPCL's "In & Out"**.

The catalyst for change in the non-fuel retail scenario in India can perhaps be attributed to the changing face of the Indian consumer. With longer working hours and rising disposable incomes, the consumer is looking for "value for his money & time". He is looking at a one stop solution to all his needs - buying groceries, withdrawing cash from his bank, making utility payments, renewing his insurance cover, grabbing a quick bite, obtaining Pollution Under Control Certification and of course filling fuel in his car. On the other hand, the driver on the highways is seeking a clean and hygienic place to relax and freshen-up, service his vehicle and have a good meal at the restaurant in the pump.

Given today's competitive environment, oil-marketing companies, both existing and new entrants, are going full steam ahead to capture the largest share of the pie. With 30,000 petrol and LPG retail outlets expected in the next 5 years, up by

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30% from today, there will be a downward pressure on profit margins and revenues per outlet which will push the industry to reinvent itself.

The emerging competitive environment, consumer's increasing demand for convenience and need to provide alternate sources for revenue for the Petro retail outlets, oil companies have to look at innovative ways in order to provide value to consumers and retailers. Experience from other countries shows that non-fuel products and services can contribute significantly to revenue and profit enhancement.

With opportunities of earning higher margins by diversification, Convenience Retailing through petrol pumps has become the buzzword today. Oil companies have revamped their petrol pumps with attractive branding. The result will be to derive additional income for petrol pumps and at the same time offer value addition to the customer.

But this industry is still at its infancy in India, especially in the organized sector. The potential is immense, as organized retailing constitutes only 2% of the total value of the retail sector in the country.

The scenario has changed in the past few years. Marketing companies like Indian Oil, Bharat Petroleum, Hindustan Petroleum and IBP have already made forays into non-fuel retailing, the results of which are encouraging.

CHALLENGES IN PETRO- RETAILING

Management of the retail end is a key determining factor in the success or otherwise of any business. To gain a sustainable competitive advantage, a retailer needs to understand and satisfy both the apparent and latent needs of the customer. This principle holds true in petroleum retailing too. All our efforts at exploration and production, refining, distribution and marketing finally culminate at the retail point after moving through a long complicated supply chain. The downstream business is extremely intricate and of substantial strategic importance to the national economy. This is what makes the retail business exciting and challenging. It demands continuous efforts at improvement of product and services, higher customer satisfaction, and offers endless opportunities to innovate. Oil products, especially transportation fuels, would continue to play a key role in the national economic growth.

The business environment in India has undergone a significant change in the past few years, and nowhere is it as pronounced as in the petroleum sector. Increase in refining capacity has transformed India from a net importer to a net exporter of petroleum products. Petroleum marketing has been decontrolled leading to entry of new domestic and international players into the sector. Government oil companies are provided operational freedom in a host of areas including determining their own market share, freedom to prepare and implement their market plans, selection of dealers etc. This liberalized scenario is making the sector intensely competitive, and the oil companies, especially those in the public sector would need to adopt a more customer-focused approach to the retail end of their business.

Besides providing the policy framework for a liberal, decontrolled petroleum sector, the Government is conscious of the need to encourage a disciplined and responsible market.

At the moment, revenue from non-petro offerings is a negligible, say pump owner. Though the focus of companies has shifted to the non-petro part of the business over the last two year, yet customer surveys clearly points to the fact

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that when a customer enters a petrol pump, filling up the vehicle is top in his mind. Rest is just add-ons. Some of the major challenges that need to be immediately and purposefully addressed can be summarized as under:

- a) Quality
- b) Quantity
- c) Price
- d) Value added services**
- e) Building brand identity
- f) Generating higher volumes
- g) Reaching the unserved areas

NEED FOR NON FUEL BUSINESS

One of the more visible transformations in the retail business of auto fuels is the recognition by the oil companies that non-fuel activities could be an important source of revenue at their retail outlets. So there are convenience stores, fast food centers and other such amenities finding a place at petrol stations, which is a very welcome change. However, the possibilities are immense and efforts in this direction too slow and limited. Companies have started viewing the retail outlet not merely as a point for selling petrol and diesel, but also as a prime commercial real estate in their control. Further, this is a location that is easily accessible to both the motorist and pedestrian. The retail outlets have the potential to become a one-stop shop for meeting innumerable needs of the customers on the one hand, and increasing the revenues of the outlet on the other. A statutory framework has also been provided in respect of petrol pumps to be located on national highways. The guidelines issued by the Ministry of Road Transport and Highways stipulate that the petrol stations should be a composite rest area for the highway users and provide all the products and services that a highway user may require under one roof. But a statutory framework can only lay down the minimum requirements; it is for the business entities to explore the other possibilities that are on offer. These could range from convenient stores, restaurants, cyber cafes etc. for the car users to dhabas, dormitories, dhobi services etc. for the truckers.

Key Drivers for non-fuel Business

- **Increased pressures on margins:** According to the dealers, profit from selling petrol and diesel is hardly anything to talk of. The dealers get as commission one paise per rupee of the price of petrol or diesel, which means that if the petrol is priced at Rs 43.10 a litre, a dealer will get 43 paise per litre as commission.
- **Desire to leverage real estate and increase revenues:** Due to their wide retail presence and strategically located situation, these retail outlets

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occupy some of the best premium land across the country, such as busy routes. Companies can generate enormous amount of revenue capitalizing this assets.

➤ **Evolving customer segments**

- Value time saving propositions
- Quality and environment consciousness
- Prestige seeker

➤ **Need to differentiate offerings:** In a race to capture new customers and retain old ones, it has become imperative to offer something unique, innovative and useful to the customers all the time.

RESEARCH METHODOLOGY

Exploratory Research

The study is aimed at understanding the present NFB mix and the customer's perception towards it. To have a better understanding, secondary data was collected from the home page of oil companies like BPCL, IOCL and HPCL.

There are many factors such as:

- Demographic profile of customers
- Location of the retail outlets etc.
- Need of the customer
- Segment of customer

that affect the non fuel business in petroleum sector. To have a better view of this, I carried out in-depth discussion with the subject people i.e. the retail outlet dealers and the NFB dealers as well as customer. Interview was carried out to identify the target segments with respect to their accessibility and responsiveness.

Information Areas:

R.O. Dealer

- Attitude towards NFB.
- NFB as sale booster for the R.O.
- Dealers approach to improve the existing facilities.
- Improvement of image enhancement of R.O. among customer due to NFB.

NFB Dealer:

- R.O. as an ideal location for sales.
- Customer's attitude towards product sold.
- Additional services to be added to attract customer.

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Customer:

- Customer likes for a particular R.O.
- Attitude towards NFB.
- Need of existing NFB services.
- Expected NFB mix at R.O.

Data Collection Method:

- a. Use of Primary data: Primary data has been collected with the help of the following tools:
 - i. *Questionnaire:* Questionnaire was used to interview the 17 stores in order to procure the required information.
 - ii. *Checklist:* A Checklist has been administered in order to observe the various aspects of the store like ambience, external visibility, parking space, customer movement space, etc.
- b. Use of Secondary data:
 - i. *Internet*
 - ii. *Books & Journals*

Sampling Plan:

The South Delhi consumers mainly consist of upper and upper middle class families who have higher buying power and have a high standard of living. The assumption was that every individual is a customer of R.O. Also within the segments we preferred samples residing closely a chosen Retail Outlets having NFB mix. This too was under assumption that samples residing nearby are to be the likely customers of the respective Retail Outlets and tend to use the services provided.

LIMITATIONS OF THE STUDY

Sample Size:

Logically, greater the sample size, higher is the validity of the Research work. But due to the time & other constraints, I restricted my research to cover stores in south Delhi.

Time Constraint:

Since the duration of the dissertation was short, the research had to be curtailed to a limited number of stores.

Respondent Bias:

Being a Research Methodology exercise, this study is also subject to some respondent biases while taking Personal interviews, which may be due to social or other reasons. However, care has been taken to remove as much biases as possible.

Confidential data:

Since the project has covered the costing aspect to measure the performance of the store, many dealers have been reluctant to disclose or have manipulated certain figures due to various reasons.

Dealer attitude toward the survey:

Some of the dealers had negative attitude toward interviewing their customers. Because of that some of the prominent located RO could not surveyed. Also most dealers demanded authorized letter from their company to allow me to conduct any survey.

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QUESTIONNAIRE DESIGN

Questionnaire is the best instrument to do the survey. I decided to conduct survey for the **consumers**. So for them, a Quantitative closed ended structured questionnaire was prepared which extracts comprehensive information about the attitude of the consumers towards the present facilities present in the RO as well as also about their needs and preferences.

The Format of the Questionnaire for the customers is as below:

Name: _____

Age: 15-25 25-35 35-45 45-55

Sex: M / F

Profession: Serviceman/woman Business Self Employed
Housewives Student Other _____

1. How frequently do you visit this pump per week?
 - a. 0 – 2
 - b. 2 – 4
 - c. 4 – 6
 - d. 6 and above

2. Distance from your house to this pump?
 - a. 0-5 Km
 - b. 5-10 Km
 - c. 10-15 Km
 - d. 15 or more Km

3. What time of the day you visit RO
 - a. Before 10 am
 - b. 10 am – 3 pm
 - c. 3 pm – 7 pm
 - d. After 7 pm

4. Any specific reason for visiting this petrol pump?
 - a. Know the owner very well
 - b. Good Service by Staff
 - c. Quality and Quantity assurance

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- d. Proximity to residence
- e. Presence of convenience store
- f. Other _____

5. How much the look and feel of pumps attracts you?

- a. Very much
- b. Almost
- c. Not much

6. Have you visited the convenience store at the petrol pump?

- a. Yes
- b. No

7. If Yes for the above question then how frequently do you visit this store?

- a. Every day
- b. Whenever come here
- c. Every Week
- d. Every Month
- e. Not very regularly

8. Mark the three most important factors among the ones given below, for choosing this convenience store?

- | | |
|--|--|
| | a. Know the owner very well / Gives Credit |
| | b. Proximity to residence |
| | c. Low Prices & Discounts |
| | d. Home Delivery |
| | e. Good Service by Staff |
| | f. Ambience |
| | h. Quality |
| | i. Other |

9. How would you rate the service of the convenience on the following factor?

	No Opinion	Very Good	Good	Ok	Bad	Very Bad
Variety of Products						
Prices						
Quality of Products						
Shopping Experience						
Service of staff						
Schemes						

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10. Which one of the following products have you purchased at the In & Out store?
- Chips (Lays / Kurkure)/ Biscuits
 - Music (Cassettes / CD's)
 - Pepsi / Red bull
 - Cigarettes
 - Body spray / Perfumes
 - Ice Cream
 - Soap / Toothpaste / Shampoo
 - Chocolates
10. If you have not visited the store, why?
- Not enough time to go in
 - My husband/wife does all the shopping
 - Nothing for me to buy from here
 - Very congested area
 - Find it costly
11. Comment on the opening of NFB at RO?
- Really wanted
 - Useful
 - OK
 - Waste of money
12. Do you visit RO especially for Non fuel Business only?
- Yes
 - No
 - Sometimes
13. From the following what will you like to use if open at an RO?
- Chemist shop
 - Net surfing centers.
 - Book shop
 - Music shop
 - Mobile service providers billing / accessories centre
14. Which are the NFB that you have used while visiting petrol pumps?
- ATM
 - Service Check
 - Restaurant
 - Pollution check
 - Washroom
 - Air check
 - Department Store

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Data Collection Procedure

The Research was carried out in south Delhi. In South Delhi, I surveyed the retail outlets of Nehru place, South Extension and Chanakaya Puri. The survey was conducted by standing at a RO and interviewing the customers and neighboring shops. The customers from the nearby shops and nearby colonies were first asked whether they are using a RO having NFB services. Those who were not using such RO were discarded. At the RO's interviews to customers were done both during rush hours and free hours.

SURVEY RESULTS

Facilities used by customers at retail Outlets

Facilities	No.
ATM	16
Service Check	5
Restaurant	9
Pollution check	6
Washroom	4
Air check	15
Department Store	12
Total	65

Analysis:

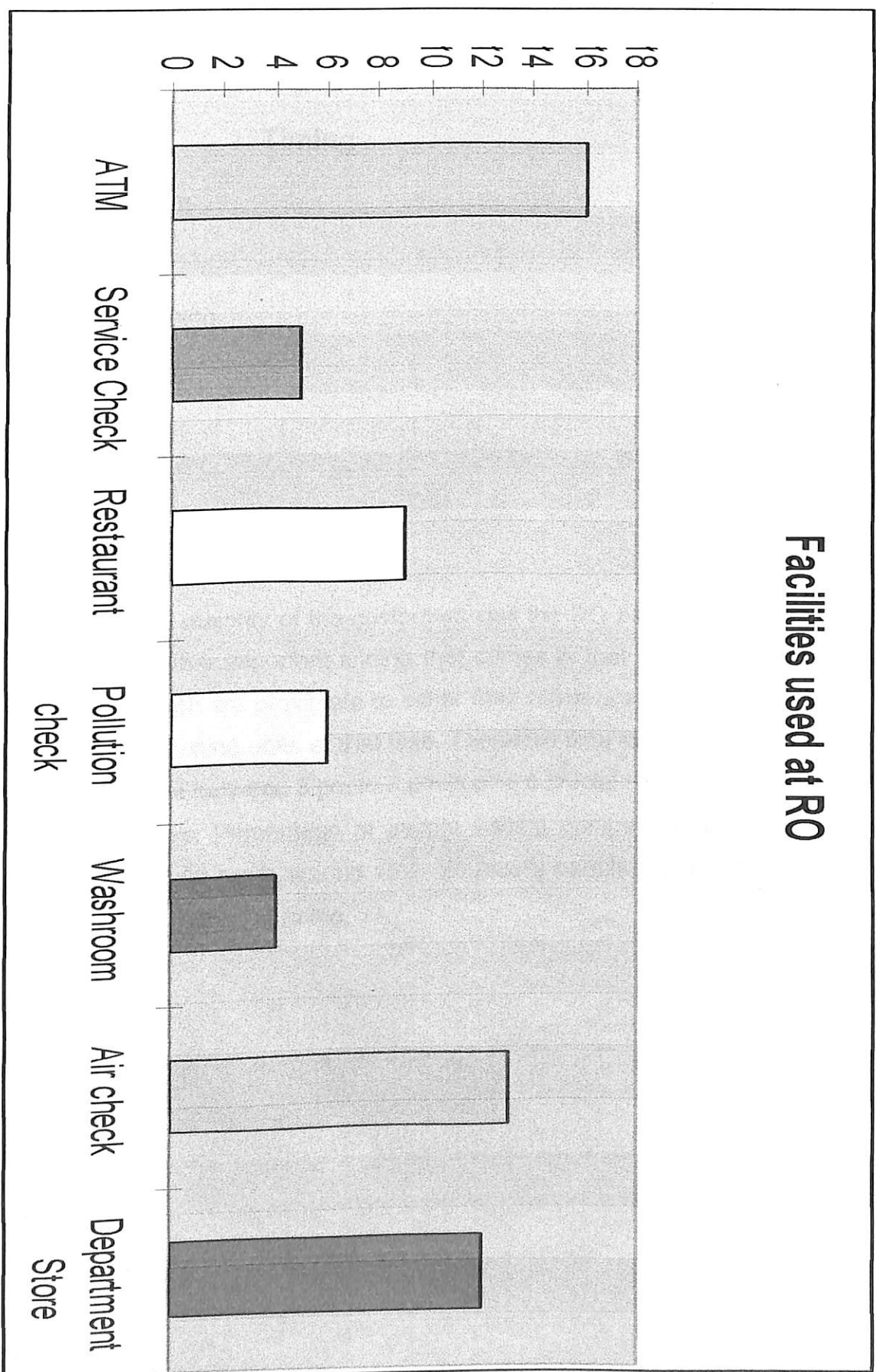
From the table, it is quite evident that most popular non fuel business is from ATM. We see that the customers are using ATMs, air check & restaurants more than any other services.

Percentage wise: ATM, Air check and departmental (convenience) store make 65% of all NFB used by customers.

ATM has significant influence on customers for choosing a particular petrol pump since people tend to use that petrol pumps which have their bank ATM on the premises. Café, restaurants come second most sought after non-fuel business followed by air check and convenience stores.

Hypothesis Verification: Since different people have different choice and preference, companies have to do selective marketing with the help of separate marketing strategies for different customer segment. Therefore hypothesis H0 that one marketing strategies will suit all does not hold true.

Facilities used at RO



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Time to visit petrol pumps

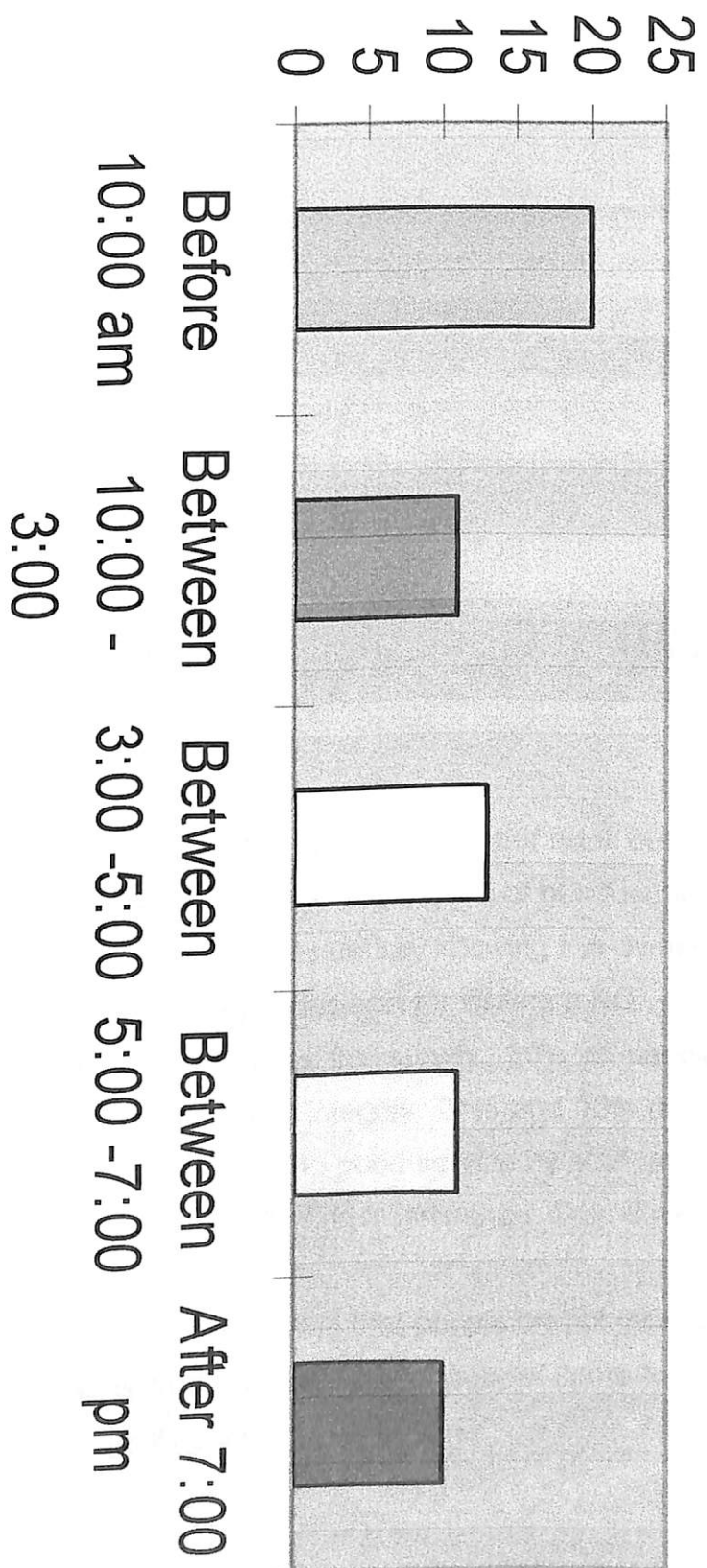
Timing	No.
Before 10:00 am	18
Between 10:00 -3:00	9
Between 3:00 -5:00	15
Between 5:00 – 7:00	13
After 7:00	10
Total	65

Analysis:

We see that the majority of the customers visit the RO before 10 which is office going time. Another important finding that comes is that people tend to choose retail outlets which are proximate to either their office or home. So there is more rush at the dispensing units at that time. Therefore time saving is a crucial factor in this case. Time between 3 pm to 7 pm is also a crucial time.

Percentage wise: Percentage of people visiting pumps before 10:00 am and between 5:00- 7:00 pm is around 45%. So mostly people visit retail outlets while going to office or returning home.

Time of visiting retail outlets



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Reasons for visiting the particular retail outlet

Reasons	No.
Know the owner well	6
Good service by Staff	11
Q & Q assurance	19
Proximity to residence	13
Non fuel business	6
On the route to my destination	10
Total	65

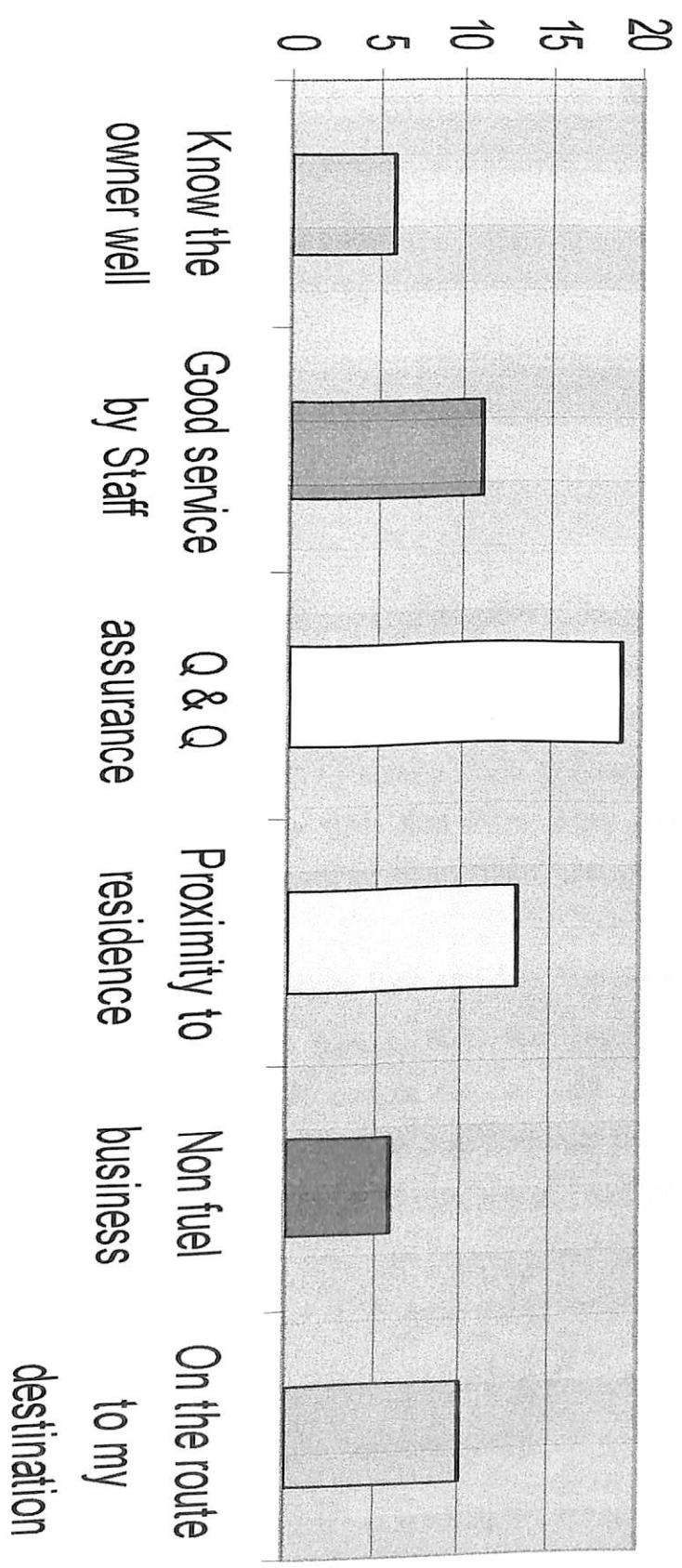
Analysis:

We see that the majority of the consumers prefer retail outlets which give Q & Q assurance. Not many people have any impact of non fuel business. Other factors such as proximity to office or residence, knowing the owner well or on route to office also influence the people decision for visiting a RO.

Percentage wise: According to the survey, 30% of people visit petrol pump because of quality and quantity integrity. 21% and 16% choose petrol pump for proximity to their home/Office and good service by staff respectively. Only 9% of customers believe non fuel business influence their decision of visiting retail outlets.

Hypothesis verification: Hypothesis that people do not visit petrol station only for non fuel business is true as only 10% of people come to retail outlets for their non fuel need. H₀ (null hypothesis) is true.

Reasons for visiting particular retail outlets



RETAIL OUTLET- PROSPECT OF NON FUEL BUSINESS

Utility of Non fuel business

Utility	No.
Really wanted	16
Useful	27
Ok	16
waste of investment	6
Total	65

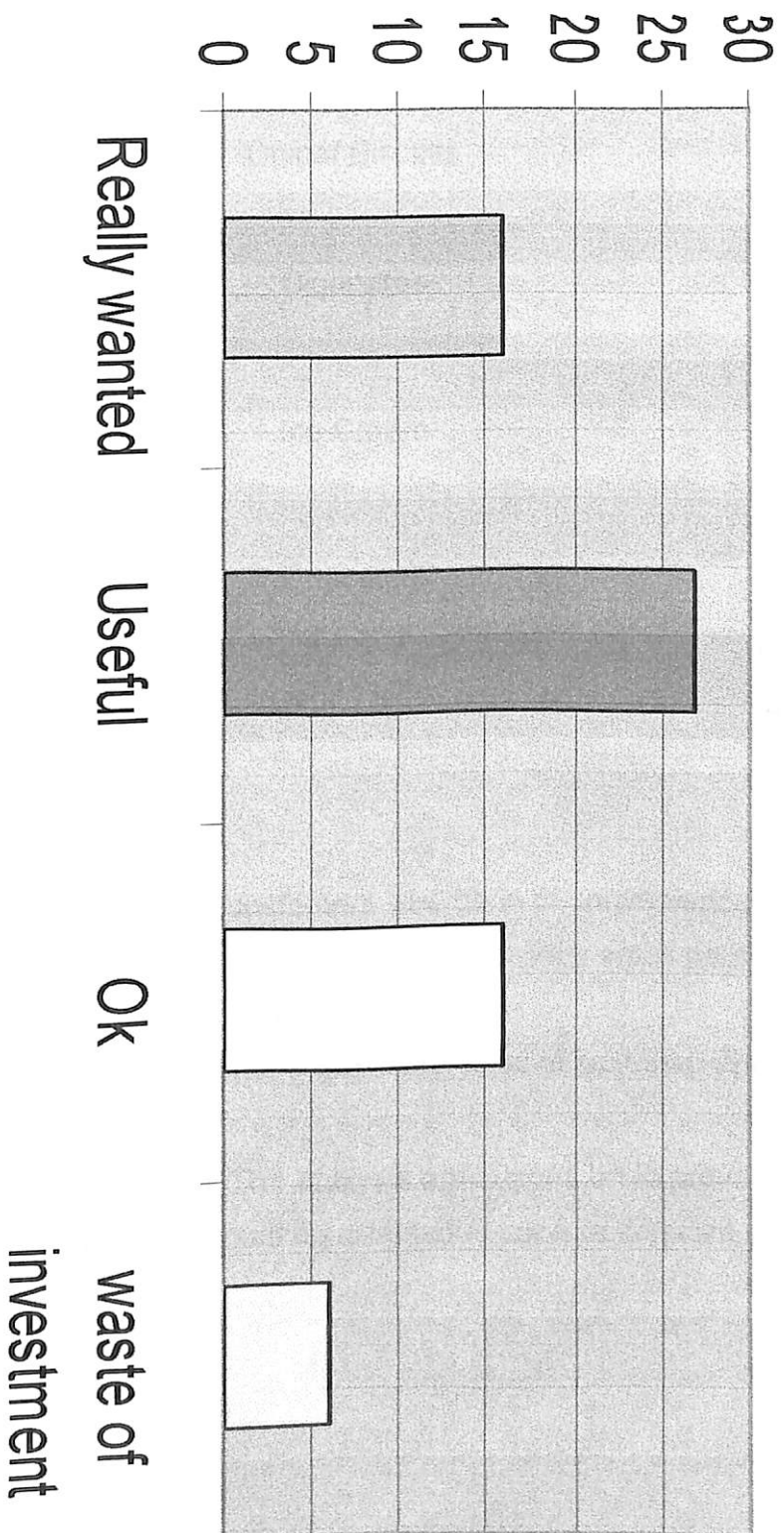
Analysis:

We see that most of the customers have voted in favors of NFB. They feel that it is really wanted and useful. People have liked the concept of non fuel business at RO as it provides them convenience as well as fast and better service.

Percentage wise: According to survey, 25% of customers find non fuel business really wanted whereas other 67% find them really wanted or ok. Only 10% of customers feel that it is waste of investment and company should rather bring down price of fuel.

Hypothesis verification: H0 state that non fuel business does not influence the customers but according to survey, 80% feel that it is a good move by the company. Therefore, though people do not visit petrol pumps for non fuel business, but people by large prefer that it should be there at the petrol pump which they visit. So H0 does not hold true and so hypothesis H1 must be true.

Utility of Non fuel business



RETAIL OUTLET- PROSPECT OF NON FUEL BUSINESS

Items purchased at convenience store of petrol pumps

Items	No.
Chips/ Biscuits	15
Soft drinks	16
Cigarettes	5
Body spray	3
Ice Cream	13
Soap/ Toothpaste/ Shampoo	4
Chocolate	9
Total	65

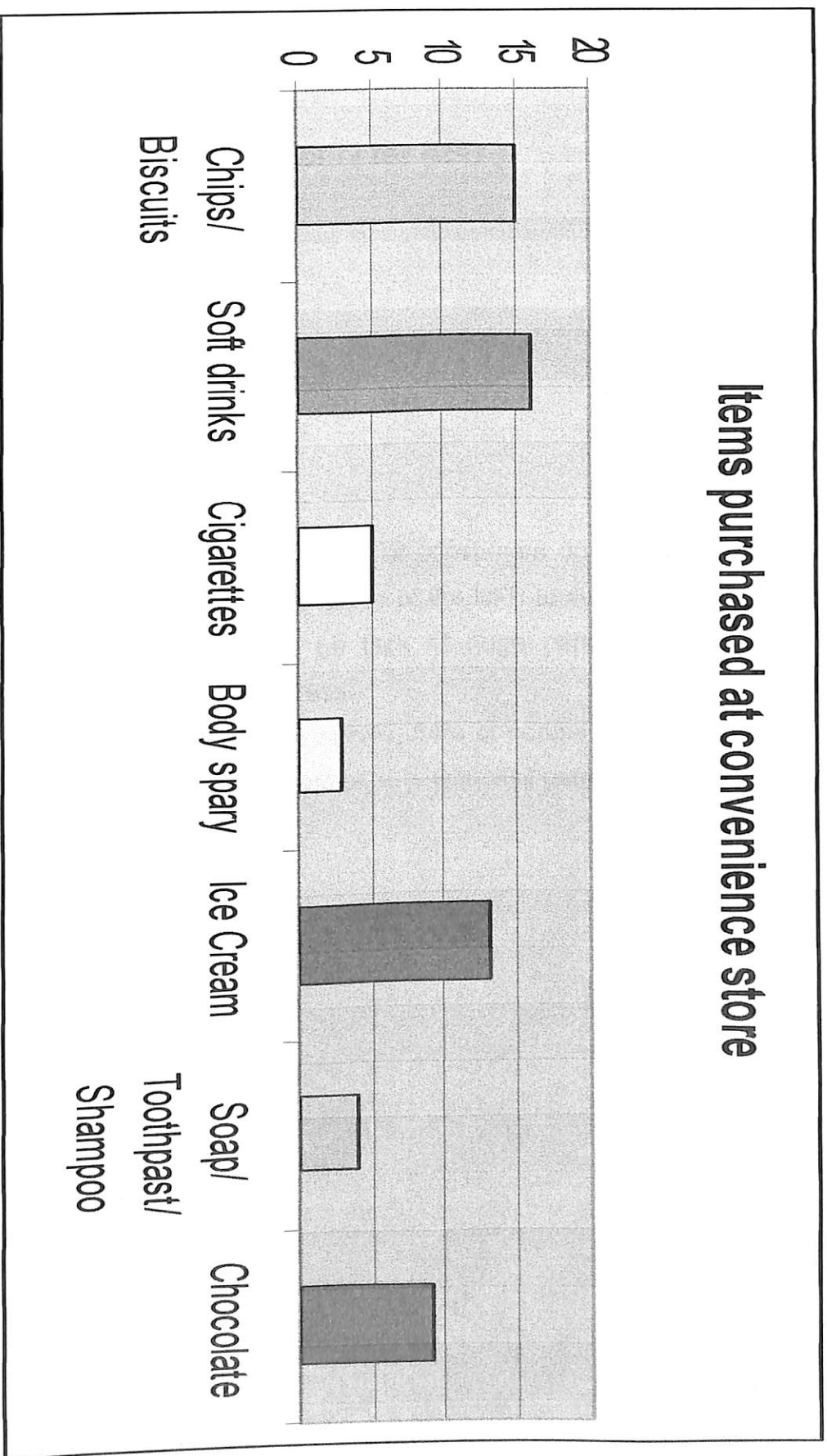
Analysis:

Above table shows that customers who go in to convenience store prefer snacks cold drinks more than anything else. Very small percent of people prefer items like body spray or cigarettes.

Percentage wise: According to survey, 68% of customers prefer snacks and cold drinks.

Hypothesis verification: The analysis again goes on to prove that different marketing strategies should be adapted to capture different segment of customers.

Items purchased at convenience store



RETAIL OUTLET- PROSPECT OF NON FUEL BUSINESS

Do Customers go only for non fuel business?

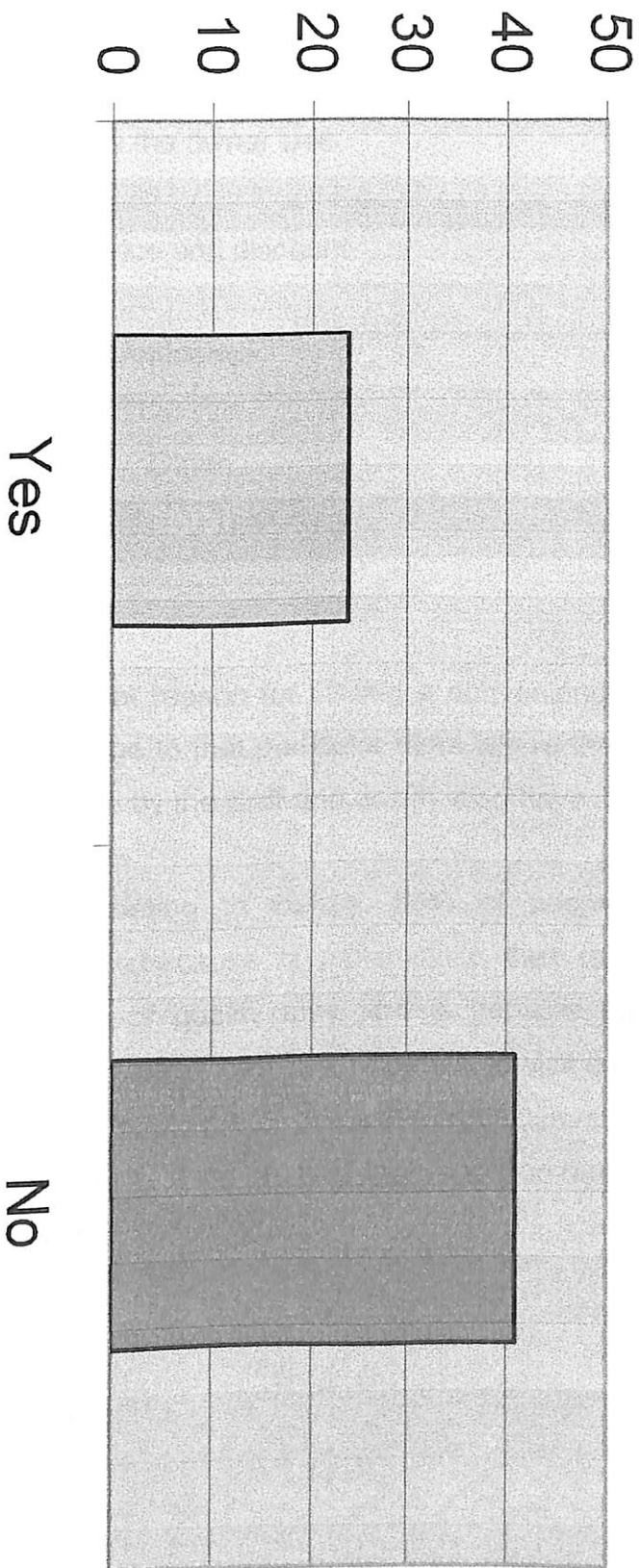
Will customer go only for NFB	No.
Yes	24
No	41
Total	65

Analysis:

We can see that at present majority of consumers do not go just for non fuel business. This is because of the failure of the NFB to evolve as a good shopping area. Reasons for this could be lack of huge parking space and lack of awareness about non-fuel business.

Percentage wise: According to survey, 64% of people do not visit retail outlets for non-fuel business. Even in rest of 36% who visit petrol pumps for NFB, use of ATM is their prime motive.

Will customers go only for NFB



Reasons for visiting convenience store

Reasons	No.
Know the owner well	10
Proximity to residence	13
Low price and discount	7
Good service	9
Ambience	10
Quality	12
Other	4
Total	65

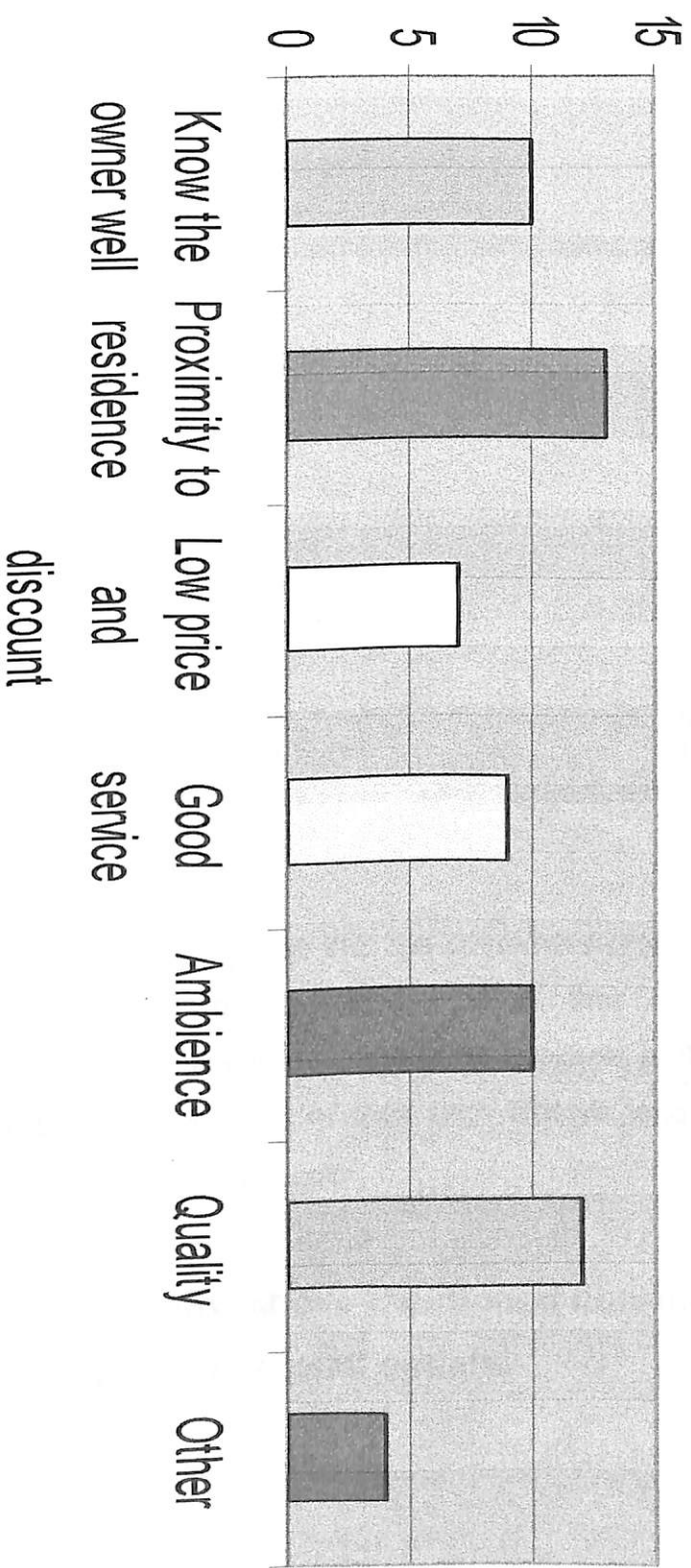
Analysis:

The single most important reason for visiting a convenience store is proximity to residence. People also go to that particular store where they have come to know the owner. Good services by the staff and quality also have considerable impact on their decision

Percentage wise: According to survey, 55% of people visit petrol pumps convenience store either because of proximity to their residence, knowing the owner well or because of quality they find is genuine here. Air conditioning shopping experience also influences 20% of people to visit these stores.

Hypothesis verification: People prefer going to nearby convenience store at petrol station. Thus hypothesis HO does not hold true. Location has lot of influence on success of petrol pumps.

Reasons for visiting convenience store



RETAIL OUTLET- PROSPECT OF NON FUEL BUSINESS

Facilities desired at retail outlets

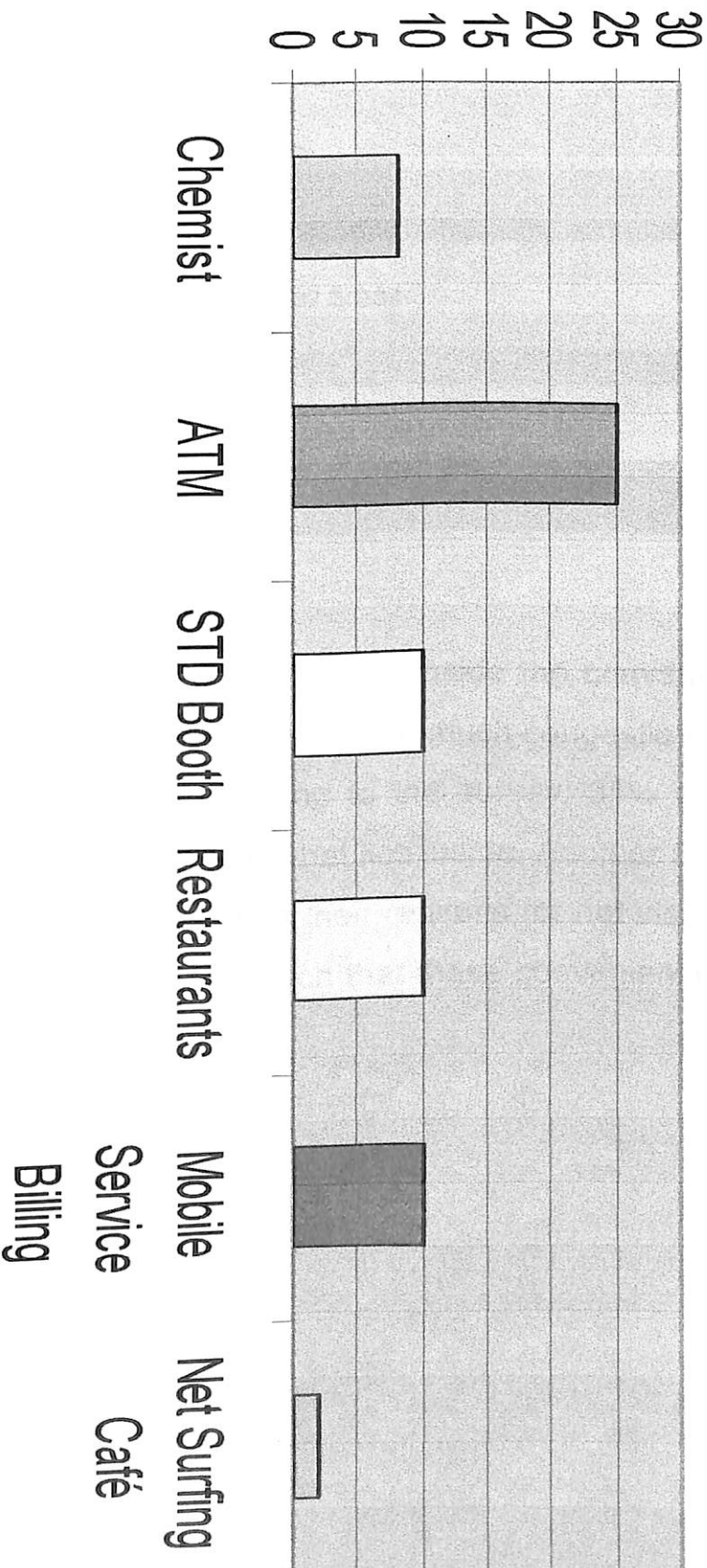
Services	No.
Chemist	8
ATM	25
STD Booth	10
Restaurants	10
Mobile Service Billing	10
Net Surfing Café	2
Total	65

Analysis:

From the above table, we can see that the customers prefer to have a chemist shop and restaurants. Also the findings reveal that ATM service is also considered as one of the necessary items to be available at the retail outlet. The South Delhi consumers because of their high lifestyle and purchasing power showed the preference for restaurant.

For ideal marketing mix, above-mentioned non-fuel business should be incorporated at retail outlets.

facilities desired at petrol station



RETAIL OUTLET- PROSPECT OF NON FUEL BUSINESS

Reasons for not visiting convenience store at retail outlet

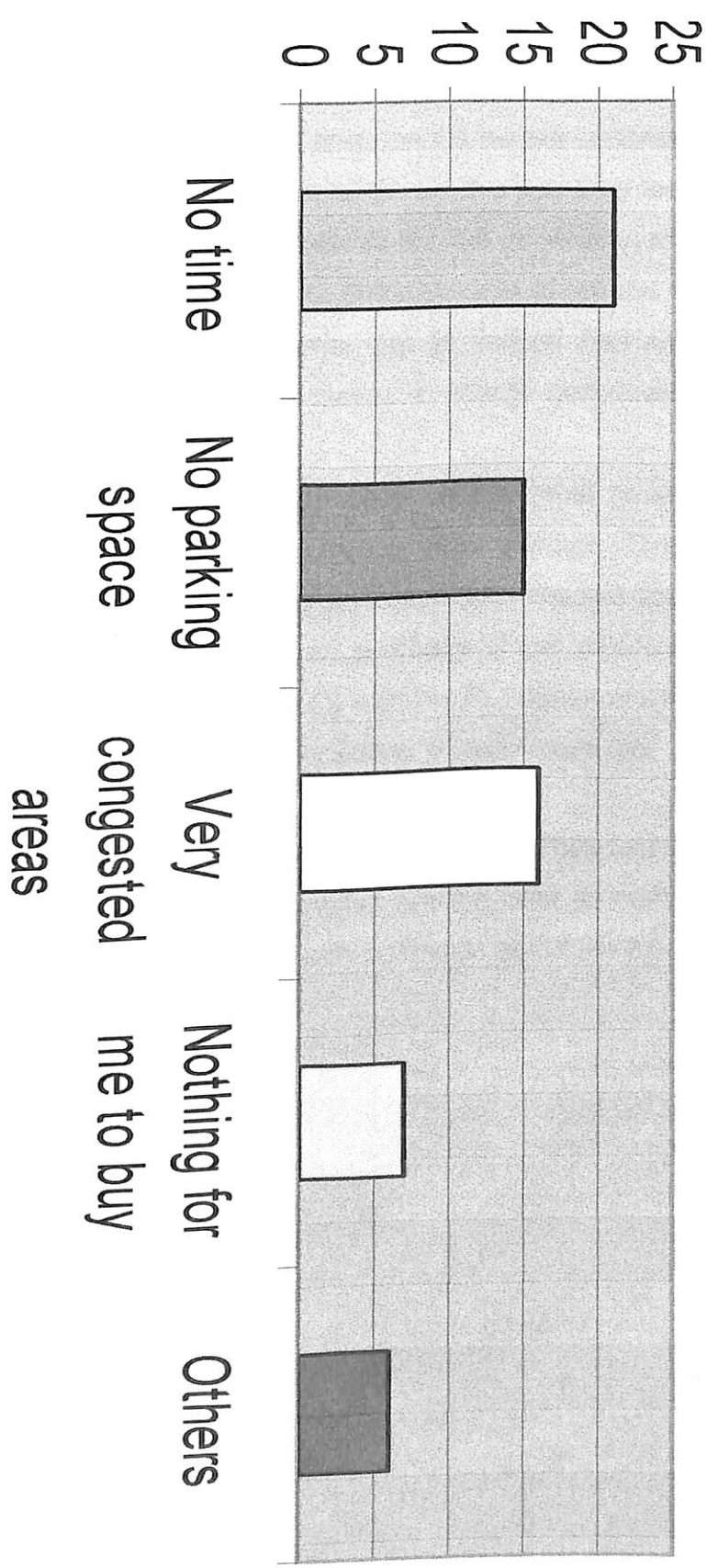
Reasons	No.
No time	21
No parking space	15
Very congested areas	16
Nothing for me to buy	7
Others	6
Total	65

Analysis:

Reasons for people who don't go inside the convenience store vary from parking space problems to too much congestion.

Percentage wise: According to the survey, 35% of people find no time to go inside to check what lies inside. Another 50% state parking problem and congestion as their reasons for not visiting. 10% people believe that there is not much that these convenience store can offer to them.

Reasons for not visiting convenience store



RETAIL OUTLET- PROSPECT OF NON FUEL BUSINESS

Findings from NFB Dealers:

According to them the NFB is a success with Delhi people. Day by day awareness and popularity among the masses are increasing. As one said "The consumer will come once, then the second time, hence he will become regular and may start to make planned purchases from NFB". So this way they feel their sales will improve.

At present these businesses are not generating any profit for these dealers. One fuel dealer revealed "I am getting a sale of around Rs8000/- per day. But the profit is only 4%, which works out to around Rs10000/- a month. But I pay Rs9000/- to the Non Fuel Business in charge and deducting other expense I am incurring a net loss".

In order to make themselves visible most non-fuel businesses face the forecourt of the RO and are having large signage. They say this will attract the customers. They also have promotional activities like discount coupons, points on petrocards by oil companies on purchase of fuel and to be redeemed at the NFB. Thus the NFB is working closely with the RO dealer and the oil companies to make themselves a part of the consumer's awareness set and eventually into their choice set.

But then the NFB's show its own preferences. They feel that more than convenient items, NFB related to automobiles are the best as customers will be more loyal. But then they are also very much optimistic about the future of the NFB.

RECOMMENDATIONS

Dealers demonstrating a negative attitude towards convenience stores need to be specifically identified and specific training inputs should be designed and administered to the target group. Such training, among other inputs like CRM, team Building, should reinforce the fact that a well maintained convenience store has a positive correlation with the increased sale of fuel products.

Collaboration with LPG division to use the LPG distribution system for home delivery and promotion among housewives is highly recommended.. Starting with relationship improvement, the LPG delivery boy can be given incentives to start promoting the convenience store and finally take orders for the monthly groceries. This will help improve the customer base among the housewives. The delivery boy can benefit by getting incentives depending on his conversion ratio.

The food retail industry is moving towards discounting to compete with the local kirana store. It will be difficult to avoid this path for long. To tread this path, companies need to take advantage of the high volume of their aggregated demand to reduce procurement costs of SKUs and thus increase gross margin. Higher operating margins can be demanded from FMCG marketing companies further, in groceries category also, patronization of private labels can be looked into.

The teenage population greatly influences the decisions made by their family. On joining college, the students receive their first vehicle, invariably a two-wheeler, and a cell phone. Though teenagers do not have the capability to be high worth customers, but they are a very high prospect in near future. Hence, schemes attracting this age group are highly recommended.

RETAIL OUTLET- PROSPECT OF NON FUEL BUSINESS

It is recommended to increase the presence of convenience store in the forecourt to help increase the conversion ratio of customers from the forecourt to the convenience store. This can be achieved by considerable enhancement in Look & Feel through better window dressing, larger illuminated banners in the forecourt which should also be visible from outside the petrol pump. A professional brand revamp exercise is highly recommended.

The convenience store customer does spend some time inside the store; a part of this time is towards one-to-one conversation. This can be used as an opportunity to improve the brand strength of company.

Product placements and promotion inside the convenience store need some improvement especially for groceries using bigger and bolder "Shelf Talkers". More informative and bigger font sizes will help inform the customer of value proposition, in a manner that is fast and sure.

It is important to look to the housewives who do not have a vehicle to themselves, as prospective customers. The stores having good residential areas nearby must offer home delivery, gifts for kids when their mother comes to the convenience store and keep such equipment that will keep kids busy so that the mother can shop in a comfortable and hassle free environment.

Companies must offer incentives to convenience store staff and aim at a much higher employee retention period for the sales staff of convenience store than obtained at present. This will go a long way in improving their relationship with and loyalty towards company.

COMPANIES INITIATIVES

BPCL

About Bharat Petroleum Corporation Ltd. (BPCL)

Bharat Petroleum Corporation Ltd. (BPCL), a government owned company incorporated under the Companies Act, 1913, is in the business of refining, storing, marketing and distributing of petroleum products. The history of BPCL dates back to 1975 when the Government of India, pursuant to an agreement acquired 100% equity of Burmah-Shell Refineries Limited (BSR). The Burmah-Shell Oil Storage & Distributing Company of India Ltd. (BSM), a foreign company, established in England in 1928, was in the business of distribution and marketing of petroleum products in India. BSR was renamed as Bharat Refineries Limited (BRL) in 1976 and to BPCL in 1977.

In the year 2003-04 the oil industry came out of stagnation to register growth. The consumption of petroleum products for the financial year 2003-04 was estimated at 107.7 million metric tones (MMT) registering a growth of about 3.4%. A major change in the consumption pattern was the welcome growth in High Speed diesel (HSD) consumption which was either stagnant or was reducing during the last three years. Annual HSD consumption during 2003-04 was 37.2 MMT as against 36.6MMT in 2002-03, representing 1.7% growth. The government's policy of promoting "Green Fuels" has prompted a three digit growth in the Compressed Natural Gas (CNG) sales.

The competition in the industry is increasing in a big way; 2003-04 was a year of intensified network expansion by all players in the petroleum business. The industry as a whole added 3000 outlets during the year of which 739 were added by BPCL alone.

With the strengthening of the highway network, the demand for HSD is likely to increase. Further, with availability of land for putting up the new outlets, the next battleground for competition would be the highways. The industry has responded by putting up "One Stop Truck Shops (OSTS)" on the highways to increase the service and value being offered to the highway customers. BPCL has launched its own OSTs under the Ghar brand and 18 Ghar's were added in the fiscal 2003-04

RETAIL OUTLET- PROSPECT OF NON FUEL BUSINESS

Bharat petroleum has six primary SBU; Retail, Refinery, Aviation, Lubes, LPG. The IN&OUT STORES business falls under the Retail business of Bharat Petroleum. The financial year 2003-04 saw the retail sale reach an all time high of 12.05MMTas against 11.05MMT in the previous financial year. The gross sales rose to Rs. 525 billion from Rs. 472 billion the previous year and the Net Profit rose to Rs. 16 billion from Rs. 12.5 billion

In & Out Stores

In & Out Stores: With the emergence of organized retailing in the country and a growing demand from consumers for a superior shopping experience, Convenience Retailing has emerged as a key business area for petroleum companies given their wide retail presence, existing customer base and strategically located sites. With an aim to address this, Bharat Petroleum launched its convenience retailing initiative under the "In & Out" brand.

The "In & Out" chain of convenience stores at Bharat Petroleum petrol pumps, were launched in 2001. It offered a convenience proposition where a number of typical household errands were aggregated under one roof for the benefit of the customers. In the year 2003-04 there were more than 240 In&Out stores across India making In&Out Stores India's largest convenient store chain. To further strengthen the convenience proposition strategic alliances were formed with major brand owners and retailers in the country. As a result In&Out stores generated revenues accounting to Rs.300 million for the fiscal 2003-04 a growth of 114% over the previous year. Backed by this performance BPCL is planning to launch 300 more IN&OUT STORES by the end of the next fiscal.

The In & Out's basket of offerings includes 15 key facilities detailed hereunder from chosen leading brands under one roof. It offers an 18 - 24-hour service in a self-service environment with the additional opportunity of combining shopping with the fuelling occasion. Bonus points on purchases of products in the mall

RETAIL OUTLET- PROSPECT OF NON FUEL BUSINESS

bought with the BPCL smart card – the Petro Card make the Petro Card the preferred mode of payment for most of IN&OUT STORES customers. The In & Out stores offer a standardized layout across the country with a high level of aesthetics and an ambience aimed at deriving maximum value for BPCL alliance partners and offering consumers a revolutionary solution for attending to their daily chores.

Strategic alliances have been forged with leading brand owners and service providers and the endeavor is to provide all such products and services as a consistent offering in BPCL's In & Out stores across the country. These are: -

1. Offsite ATMs offering basic banking facilities.
2. Music Counter "Unplugged" from Music World and "Chartbusters" from Planet-M
3. Financial Products from Standard Chartered Bank
4. A comprehensive cell phone outlet with facilities - retail prepaid and refill cards.
5. Coffee & Snacks from Café Coffee Day and Coffee Day XPRESS
6. Beverages from PEPSI, Red Bull, Melee
7. Frozen Desserts from KWALITY WALLS, AMUL
8. Confectionery, packed snacks, convenience foods, daily needs for the home, toiletries, and cigarettes from ITC and such other impulse buys.
9. STD/ISD/PCO from ZIP TELECOM,
10. SKYPAK DROP BOXES for credit card payments, cell phone and pager bill payments, utility payments, EMI payments etc.
11. Magazines from India Today Group, Outlook and other leading Publishing houses.
12. "Expressions" Greeting Cards from ITC
13. Money Transfer facilities from Western Union Money

RETAIL OUTLET- PROSPECT OF NON FUEL BUSINESS

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CASE STUDY

CONVENIENCE STORE RETAIL SOLUTIONS FROM RADIANT

The competitive landscape within the petroleum and convenience store industry is rapidly changing. High-volume retailers—currently representing 5% of the fuel market, with expected growth to 16% over the next three years—are attracting customers and gaining fuel market share.

To differentiate themselves and boost profit margins, convenience store operators are expanding retail offerings to include more in-store merchandise, made-to-order food, and a greater number of customer services such as car washes, money orders, and more.

Top challenges petroleum and convenience store operators face today include:

- **Margin Squeeze**
Margins for fuel and cigarettes—staples of the convenience store business—continue to decline. Convenience store operators face significant competitive pressure from high-volume retailers for this undifferentiated commodity product
- **Customer and Brand Loyalty**
Consumers are more demanding but less loyal than in the past, and many are leaving the major convenience store operators for lower-priced, high-volume retailers
- **Increasing Operating Costs**
Labor costs, employee retention, and supply-chain costs continue to rise, putting further pressure on profitability
- **Growth**
Convenience store operators are changing business models and pursuing new revenue channels. Made-to-order food and expanded services such as car washes, lottery, and money orders present new operating challenges

Solving the Issues

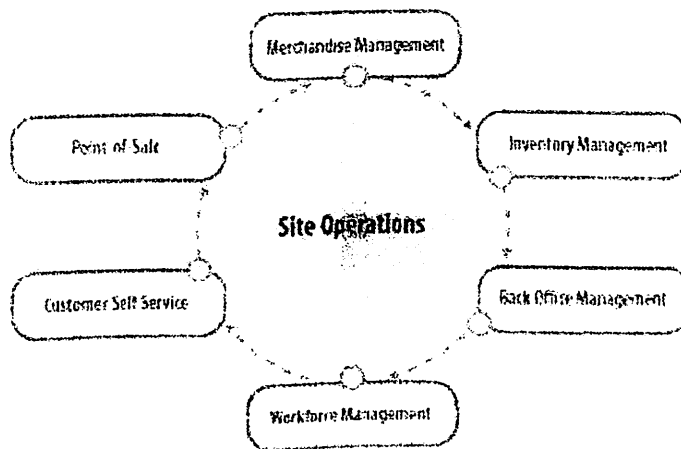
In meeting today's biggest challenges, convenience retailers must focus on several key areas:

- **Acquiring necessary information to identify trends, analyze customer buying behavior, optimize inventory levels, and react quickly to business change at the site**
- **Finding and retaining the right employees**
- **Efficiently scheduling labor to improve service while reducing costs**

- Launching loyalty programs in the store and at the pump
- Supporting new revenue centers

Radiant Petroleum and Convenience Store Solution

For more than 12 years, Radiant Systems has delivered solutions for managing site operations of petroleum and convenience store businesses. The depth of our industry expertise in fuel and convenience-store operations means that we understand how you do business and can provide solutions that successfully address your unique challenges as a petroleum and convenience store operator.



Radiant's Petroleum and Convenience Store solution uniquely combines best-of-breed functionality in an integrated environment but can also be purchased as individual components to address a specific business challenge. The Petroleum and Convenience Store solution includes the following components:

- Point-of-Sale
- Customer Self Service
- Workforce Management
- Merchandise Management
- Inventory Management
- Back Office Management
- e-Learning
- Technology Platform

Radiant Point-of-sale

Today's environment of intense competition and shrinking margins makes it critical to manage all aspects of customer interactions effectively to attract and retain your most profitable customers, while protecting your operating margins. The Radiant Point-of-Sale (POS) solution is designed to enhance your customer's total experience in the store by improving speed of service and accuracy.

Radiant Point-of-Sale enables operators to:

- **Deliver Superior Customer Service**
 - Improve order and transaction accuracy
 - Increase speed of service through quick transaction processing and integration to scanning systems
- **Reduce fuel drive-offs**
 - Control all profit centers, including fuel, at the point-of-sale
 - Use icons and audible alerts to proactively monitor the fuel court
- **Increase Revenue**
 - Maximize system uptime with innovative, fault-tolerant architecture
 - Support customized loyalty programs that can be deployed in the store and at the pump
 - Support multiple profit centers—food service, car washes, money orders, and more—on one platform
- **Decrease Training Costs**
 - Leverage intuitive, graphical touch-screen interfaces to simplify employee training
 - Improve employee job satisfaction and reduce turnover
- **Realize Quick Time to Market and Lower Ongoing Total Cost of Ownership**
 - Deploy upgrades and enhancements and perform diagnostics quickly and cost effectively
 - Upgrade POS functionality without requiring lengthy credit re-certifications
 - Easily and quickly deploy POS configuration changes chain-wide or to select groups of sites using a centralized Web-based POS Management application

Key POS Features:

- Intuitive touch-screen interface
- Single point of control for all profit centers including food service, car wash, lottery, fuel, money orders and merchandise
- Integration with all site peripherals such as customer self-service kiosks, electronic payment processors, scanners, and fuel controllers
- Global flexibility to manage multiple currencies, languages, and taxation structures
- High reliability through industry-leading fault-tolerant design
- Efficient fuel transaction processing and tightly controlled fuel inventory
- Credit, debit, fleet, and branded stored value card processing
- Web-based POS management and configuration
- Hardware neutrality—open software

Supporting Applications:

- Color Customer Display
- Fuel Controller
- Electronic Payment Controller
- Food Production System
- Scanning

Radiant Customer Self Service

The trend towards self-service in convenience stores can be seen in the proliferation of ATMs and pay-at-the-pump devices.

ATMs were available in 77.4% of convenience stores in 2001. In 1993, ATMs were in only 15% of stores.

Pay-at-the-pump service was offered at 76% of all stores in 2001, compared to only 37% in 1997.

Source: 2002 NACS/CSNews Industry Databank

Self-service capabilities have become an important part of an overall customer service strategy. Petroleum and convenience store operators who are looking to drive operational efficiencies, develop new revenue channels, and extend brand awareness can look to innovative programs such as Radiant's Customer Self Service (CSS) solutions.

Radiant CSS is a highly flexible, interactive solution that can serve as a customer order-taking device, Web browsing kiosk, or information portal. It can be deployed in the store or outside in the forecourt.

Radiant Customer Self Service enables operators to:

- **Increase revenue and profitability**
 - Drive additional in-store revenue by offering made-to-order food items while customers are fueling
 - Increase average order size through a consistent up-selling and cross-selling approach
 - Reduce waste by improving order accuracy
- **Increase employee productivity**
 - Free up employees to perform high value activities such as order preparation
 - Deliver online training courses through the kiosk
- **Support strategic marketing initiatives**
 - Capture transactional information to analyze buying behavior and develop targeted loyalty programs or promotions

Key CSS Features:

- Intuitive, touch-screen interface
- Seamless communication from the point-of-purchase to the kitchen
- Automated up-selling
- Integration with store systems
- Indoor or outdoor use

Self-Service Options:

- Indoor Customer Self Service Kiosk
- Outdoor Customer Self Service Kiosk

Radiant Workforce Management

Labor costs represent one of the highest controllable costs an operator faces. It is a constant balancing act to have the right resources available to provide the level of service you need to retain customers, while still focusing on containing costs.

Radiant's Workforce Management solution maximizes the benefits from a critical resource—your employees—and consequently reduces overhead expenses, increases customer service levels, and reduces the administrative efforts of managing the workforce.

Radiant Workforce Management is built on an open architecture and supports third-party integration to point-of-sale systems, time clocks, human resources systems, and payroll applications.

Radiant Workforce Management enables operators to:

- **Reduce labor costs**
 - Reduce labor hours through accurate forecasting, better alignment of labor hours to customer traffic and required tasks, and more efficient scheduling of available resources
 - Decrease total annual labor costs by eliminating inefficiencies:
 - Reduce administration
 - Reduce premium pay and payroll errors
 - Minimize paid breaks
 - Force adherence to schedules through automatic punch validation
 - Achieve accurate and consistent application of pay rules
 - Prevent unplanned overtime via real-time management alerts
 - Efficiently schedule employees across different jobs and sites
- **Improve customer service**
 - Schedule the right number of employees to meet customer demand throughout the day
 - Ensure that qualified employees are working the right jobs at the right time
- **Improve employee productivity, morale, and retention**
 - Use workflows to automate and standardize key processes around scheduling, hiring, and closing the pay period
 - Accurately match employee skill level and availability with the jobs required in a day
 - Improve employee morale and retention by scheduling to employee preferences

- **Reduce administrative costs**
 - Automate employee scheduling based on forecasted needs, employee restrictions, company policies and legal requirements (minor laws, etc.)
 - Automatically capture and report on time and attendance information and streamline payroll processing

Supporting Applications:

- Forecasting
- Scheduling
- Time & Attendance
- Enterprise Reporting
- Time Clocks

Radiant Merchandise Management

Petroleum and convenience store chains are recognizing that effective merchandising is the key to profitable growth in the current competitive environment amid ever-shrinking margins. Radiant Systems' comprehensive, centrally controlled Merchandise Management solution can reduce the cost of managing pricing and promotional activities while allowing operators to optimize profitability through careful analysis of supplier relationships.

Radiant Merchandise Management enables operators to:

- **Maximize profitability**
 - Ensure pricing accuracy across all stores at all times
 - Allow category managers to maximize margins through the use of unique pricing strategies by geographic and logical store groupings
 - Reduce inventory investment by decreasing safety-stock levels and carrying costs and improving inventory turns
 - Increase customer satisfaction by having the right products in the right place at the right time through effective assortment and promotional planning
- **Optimize product assortment**
 - Perform pricing analysis through “what if” scenarios and gross margin calculations to determine category performance
- **Reduce administrative effort**
 - Manage suppliers, costs, retail pricing, and promotions for all products in all your sites through a central database/application
 - Use “intelligent pricing” rules to automate retail pricing based on various activities throughout the chain, including updated supplier catalog costs, competitive price surveys for fuel, and margin targets

Supporting Applications:

- Pricebook Management
- Enterprise Reporting
- Contract Management
- Supplier Management
- Invoice Reconciliation

Radiant Inventory Management

Convenience store operators can no longer look to fuel and cigarettes for their “bread and butter.” With margins continuing to decline on these top two product categories, retailers have no choice but to become better merchandisers and learn to manage the rest of their inventory for maximum profitability. Having the right products in the right place at the right time is the key to meeting customer demand and optimizing your investment in inventory.

Radiant’s Inventory Management solution meets the needs of both store-level management and above-store management by guaranteeing product availability, minimizing theft and waste, ensuring high levels of customer service, enforcing supplier performance contracts, and effectively managing inventory across all sites.

Radiant Inventory Management enables operators to:

- **Reduce inventory shrink**
 - Track inventory in real time from the time of order through time of sale
 - Properly account for and reconcile inventory transfers between stores
 - Manage fuel inventory including entry of fuel receiving, pump and tank readings, and variance reporting based on sales
- **Reduce Operating Cost**
 - Streamline inventory processes, such as counting, ordering, receiving, transfers, and price changes/verifications using hand-held scanning devices
 - Enhance decision-making capabilities through real-time access to reports and system alerts via the hand-held device
 - Track menu items in your food service operations to the ingredient level to support even the most complex recipes and reduce waste, theft, and spoilage
- **Increase sales and customer satisfaction**
 - Reduce inventory stock outs through automated forecasting, suggested ordering, and real-time tracking
 - Improve visibility into site-level inventory to drive optimal ordering and reduce carrying costs

Supporting Applications:

- Inventory Management
- Fuel Management
- Forecasting and Replenishment
- Enterprise Reporting
- Recipe Management/Production Planning

Radiant Back office Management

Convenience store operators with multiple sites may feel overwhelmed by the non-integrated silos of information that are common in today's client/server environment. It's difficult to assess operational performance and be proactive about issues when all you really have is historical information.

Achieving operational excellence requires that store, regional, and corporate managers have access to real-time information in a centralized system that provides everyone with a single version of the truth.

Radiant's Back Office Management solution provides the accountability—with real-time alerts and analysis capabilities—to allow operators to manage all aspects of site operations effectively.

Radiant Back Office Management enables operators to:

- **Improve speed and quality of decision-making**
 - Establish proactive, threshold-driven alerts to identify issues and give management the opportunity for early intervention and resolution
 - Easily “slice and dice” operational data through roll-up and drill-down consolidated reporting
- **Increase profitability**
 - Reduce financial loss through increased cash controls from the cashier through bank deposit
 - Quickly roll out process improvements and reduce errors through customized workflows

Supporting Applications:

- Dashboard
- Site-Level Reporting
- Enterprise Reporting
- Cash Management