

Gauging LPG – Tough Road Ahead!

Contributed by:

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Genesis of the idea

Mr. Shyam, CEO of Safety Equipment (India) Limited was manufacturing several innovative safety gadgets for industries and domestic purposes. Triggered by a difficult situation at home faced by his wife, when the gas ran out half way through her cooking while there were eager guests awaiting a hot lunch, he came up with the idea of a device that could indicate the quantum of gas in the LPG cylinder. He felt millions of households would find it useful to time the replenishment of cooking gas. But he also wanted to test the concept, in order to develop the product.

Testing the concept

To obtain the feel of the target group, Mr. Shyam intended to conduct a focus group study in order to get a first hand opinion of product acceptance. Hence, he invited his neighbors who were primarily house wives, working women and also some men to share his idea through a focus group study. He shared his experience and steered the brainstorming session. The session was very useful and lead to ideas on improving the product. The response was encouraging.

Blueprint to Prototype

He started developing a prototype for the gadget. At first, he listed out the functions to be performed by the gadget. The gadget would measure the content of the LPG in the cylinder at any given point of time. The gadget would be attached with the cylinder and will indicate the fuel capacity of the cylinder. As the gas gets consumed by everyday usage and when the gas level reaches the minimum, the red light indicator will be on. This would help the housewives to identify the consumption of the gas and also would help them to place future replacement orders. He struck upon an idea for improving this gadget. This advancement over the present gadget would provide value-added information to housewives about the LPG usage. The main function of the gadget was to provide daily consumption rate. The gadget consists of 14 LED (Light Emitting Device) displays and 17 LED displays for 14 and 17 kgs respectively. This would also indicate the full capacity of the cylinder and enable the housewives to check their consumption pattern. This would help the housewives to identify the consumption of gas for various dishes. Each LED display would have both Green and Red lights. When a new cylinder is fixed, the gadget would show all green lights. The gadget would also ensure the proper weight of the cylinder. With the consumption of every kilogram, the green light would turn into red, which would indicate the consumption. This would also enable the housewives, to find out the quantity used on periodical basis. The additional gadget would be sold separately on demand.

Acid Test

Shyam developed the prototype for both type of gadgets and tested it with the limited group of users (his neighbors). He received positive response. Then, he manufactured the gadgets in limited numbers for test marketing. He was convinced that Chennai was a good test market for the gadgets. He also planned to price his product based on the affordability of his target customers. He felt that these gadgets would create a tremendous wave in the market. But a suitable marketing plan had to be devised.

Shyam was a production expert and he wanted to obtain professional help for the marketing plan. He approached a professional marketing agency which turned down the gadget; they felt that the product will not be received well in the market as the majority of the population in Chennai had two cylinders and recent deregulation on LPG Gas made the product available freely. They also explained that target consumers would not give much importance to this gadget though the gadget would mainly help the consumers to ensure proper weight of cylinder and to find out the consumption pattern if gas for various dishes / uses. They further added that that in recent days, many households had started switching into microwave ovens. Hence, they did not see any potential or value for the gadget in the market.

But, Shyam argued that majority of the Indian middle class population was still using LPG cylinders which were highly subsidized and definitely it would help the target group to save money. Also he added that it would be a long way before microwave ovens take rule the Indian kitchen.

After this meeting, Shyam was in deep thought about the future of the device that he designed. Convinced about the potential of his product, irrespective of the feedback from the marketing agency, he decided to wear the hat of a marketing professional to market his product on his own.

Questions:

1. What is your opinion on the comment made by the marketing agency? Give your reasons.
2. Do you agree with Shyam's action of selecting his neighbors as focus group to discuss the ideas and to test the prototype? Do they represent the target group? If so, why and if not, why?
3. Do you think choosing Chennai as a test market was right?
4. What are the critical issues that you predict that might affect the success of the gadget?
5. If you were Shyam, how would you proceed with developing marketing strategy? Your strategy should focus on positioning of the gadget, determine the size of market (Market and Sales Potential), Pricing, selection of market for initial move (Local/Regional/Zonal/National), determine optimal promotion mix and designing appropriate distribution network.)

Teaching Notes

Teaching Objectives and Theoretical Background:

Stages in new product development:

- a) Idea generation
- b) Idea Screening
- c) Concept Development and Testing
- d) Business Analysis
- e) Product Development
- f) Test Market
- g) Commercialization

Guidelines for Case Analysis:

1. The product is need of the hour and may well be focused, on the LPG users that are majority in number. It would have tremendous reception among the target audience (LPG users).
2. Chennai is the metro that has different SEC (Socio-Economic Classification) categories that would help them to identify the acceptance of different segments in one place.
- 3 & 4 In Chennai, the market may be classified into different SEC (upper middle, middle, lower middle) and the product would be launched in different areas to identify consumers' reaction and acceptance. The company has to fix a target ('x' units) ought to be sold within specified time duration ('y' months) and has to track the sales. If, Mr. Shyam could find a marginal unit sold beyond the target, he may conclude that the product has passed its test and the consumers have started accepting the product, above all, through word-of-mouth, it has generated new consumers.