Classification of Roads in India

Depending on the physical location of the retail outlet and the category of clientele serviced by the outlet, the petrol pumps markets have been classified in different categories. The categorization helps oil companies plan network development, keeping the objective of providing easy access to the essential products for the different customer segments in all parts of the country.

The primary criteria for classification / market definition is the type of roads on which the RO is located. After all, the type of road indicates the location and therefore the market characteristics in terms of traffic movements and general economic activity level of the area.

Classification of Roads

Roads in India are broadly divided into four types. Total Length of roads in India as on 31st March 2015 are as under:

A : National Highways (NH) - 98,000 Kilo Meter - Interstate or intrastate roads (differentiated by the YELLOW colored Kilo Meter stone)

B : State Highways (SH) – 167,000 Kilo Meter -Interstate or intrastate roads (differentiated by the GREEN colored Kilo Meter stone)

C : MDRs (Major District Roads) – 1,101,000 Kilo Meter -Inter-district or intra-district roads (Brown RED colored Kilo Meter stone)

D : Feeder Roads – 3,737,000 Kilo Meter - Linking roads starting from and to NH / SH / MDR / towns and cities to and from villages (WHITE Kilo Meter stones)

Total ~ 4,703,000 Kilo Meter s plus ~ 769,000 Kilo Meter KM of urban roads & project roads.

Please note total length of roads is more than 5 million kilometers and total length of National & State Highways is less than 2 % .

Classification of retail outlet markets

A’ CLASS OF MARKET - – Metropolitan cities and other cities/towns having a population of more than 20 Lakhs as per 2011 census. – Areas till the periphery limits of the city will be considered under this Category.

‘B’ CLASS OF MARKET - – Cities having a population of more than 4 Lakhs and up to 20 Lakhs as per 2011 census.. – Areas till the periphery limits of the city will be considered under this Category.

‘D’ CLASS OF MARKET - – All locations on State and National Highways. – SH & NH if passing thru’ A and B Class of Market will lose its identity. – SH and NH if passing thru’ C

Class of Market will retain its identity.

‘C’ CLASS OF MARKET - – All Cities and Towns not covered under A, B and E Class of Markets excluding locations on National/State Highways.

‘E’ CLASS OF MARKET - – Remote & interior (VIRGIN) areas, 10 Kms. away from NHs and 5 Kms. away from SHs and having no RO within a radius of 10 KMs. – Once an RO is commissioned in E Class of Mkt. that location ceases to be in E class and adopts ‘C’ class status.

There are 14 cities in A class Market, whose population is more than 20 lakhs as per 2011 census. These cities are Mumbai, Delhi, Kolkata, Chennai, Bangaluru, Hyderabad, Ahmedabad, Pune, Surat, Jaipur, Kanpur, Lucknow, Nagpur and Visakhapatnam. Some state capitals including Bhopal and Patna are having population below 20 lakhs. 100 cities are in B class. Dehradun is also B class market.

Volume Norms for Retail Outlets

Locations for setting up Retail Outlets are identified by the respective Oil companies based on commercial/minimum volume considerations. Current volume norms are as under:

1. A & B Class Cities: Expected combined Petrol and Diesel sales volume – 150 kiloliter per month
2. National Highways : Expected combined Petrol and Diesel sales volume – 150 kiloliter per month
3. C class Towns (other than rural)/State Highways: Expected combined Petrol and Diesel sales volume – 100 kiloliter per month
4. Rural Retail outlets : Expected combined Petrol and Diesel sales volume – 25kiloliter per month

Network planning

Network Planning is defined as a

- Systemic approach to identifying suitable retail locations based on study of present market and growth.
- Provides a sound basis for applying judgment in selecting locations.
- Essential in creating a competitive, high-quality network capable of
- a) Exploiting market opportunities at low cost.
- b) Achieving long-term volume, market share & profit objectives.
- Helps target capital investment to the best potential economic returns.
- Positions the brand’s network to best respond to future competitive pressures

Network Plans have to be dynamic and flexible to respond to changes in the market place and corporate strategy. While major role of Network Planning is in setting up a network, it forms an integral part of steady state operations as well, for

- Facilities planning (augmentation / new products)
- Sales planning

- Network rationalization (adding / closing / resiting outlets)
- Pricing

Retail Network Planning Process

Network planning process consists of some basic steps branching out into several other sub-processes . These include : -

- Market Analysis
- Determining Market Objectives
- Developing Site Strategies
- Developing Integrated Tactical Plan
- Developing Strategic Market Plan
- Monitoring Strategic Market Plan

Retail Network Planning Process

Step 1: Conduct market analysis

The development of a retail network plan begins with high-level research to gain an understanding of network performance, the competitive environment and proposed consumer demand changes (e.g. new housing development, road changes, etc.). This involves evaluating the current environment as well as looking at past and future trends to gain a clear perspective. Obtaining market intelligence is an important step in ensuring the retail network plan is sound and reliable because plans are only as good as the information used to develop them. It is essential to get the most accurate information available and to supplement the data with field visits when possible.

Step 2: Identify market objectives

The market intelligence gained in step one is vital to the process of prioritizing and identifying objectives for each market to be planned. The identified markets could be for new entry or markets where there is already a presence. A strategy should be developed for each market individually. The resulting strategies may vary from market to market. In some cases, it could make sense to invest significant capital in one market while divesting an entire network in another. Market-by-market strategies should be carefully formulated to ensure the best positioning for an entire network of locations.

Step 3: Develop site strategies

During this step, detailed site-by-site strategies, which are consistent with established objectives, are developed. This can involve identifying new site opportunities, acquisition candidates and/or an in-depth evaluation of each of your existing retail outlets in the market. This evaluation typically involves a detailed analysis of each controlled outlet for improvement or divestment opportunities. Improvements could be in the form of capital investments such as a complete rebuild, or operational in nature such as increasing hours or new employee training program.

Step 4: Develop integrated retail network plan

After determining which strategies to implement for the existing network and new outlets, the complex process of creating an integrated retail network plan begins. It is important to develop plans that consider the impact on the entire network versus individual outlets. A plan may appear to be good when viewed in isolation for a single outlet; however; when evaluated with respect to its impact on the entire network, the opposite could be true.

The individual outlet strategies need to be combined to evaluate their interactive impact. A predictive model best handles the complexity of understanding how a change at one outlet will impact another outlet or multiple outlets. Best-of-practice marketers use a sophisticated model to evaluate interaction and cannibalization. Any plan that will cause significant cannibalization to an existing network should be carefully analyzed.

Possible competitive reaction is also considered in this step. This can either be “known” or “anticipated” competitive activities based on trend analysis and market intelligence. Competitor outlets are reviewed with the same scrutiny given to a marketer’s own network in order to anticipate how they might react to the proposed changes.

Step 5: Formulate the retail network plan

Finalization of the retail network plan occurs during this step where an economic evaluation of the proposed changes is completed. Although a strategy may make sense from a sales standpoint, it may not make sense from an economic standpoint. Based on the outcome, alternate outlet strategies may need to be addressed and contingency plans developed.

Step 6: Implement the retail network plan

This step begins with the creation of a detailed implementation schedule. The schedule will specify the activities that need to occur in order to implement the network plan, including assignment of resources and accountability. Regular progress meetings with the stakeholders should be held to communicate implementation status.

Step 7: Monitor the retail network plan

Market dynamics and internal changes in corporate strategy make it necessary to continually review and update the retail network plan. It is important to monitor competitor activities such as new entrants, acquisitions, rebuilds/re-images and new offerings. Demand changes such as new highways, new housing developments and changes in consumer behavior should also be monitored. Changes not previously contemplated in the retail network plan need to be evaluated to determine their impact. If necessary, the plan may need to be adjusted based on this new information.

Retail network planning is a never-ending cycle of events. Market dynamics will drive how quickly planners need to re-start the process, but it should be understood planning a retail network does not end after implementation. Best-of-practice marketers are aware of the changes occurring in their markets and know to succeed they must continually make adjustments to their retail network plans. There are many benefits in using a consistent process, proven methodology and superior tools. These benefits include improved and sustainable competitiveness, improved marketing and financial performance and more rapid and consistent implementations.