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Tapping Into 1-lb. Refillable Cylinder Market [Propane Canada]

(Propane Canada Via Acquire Media NewsEdge) Propane marketers don't deal much with one-pound, non-refillable propane cylinders. "Coming in contact with them is more of a nuisance than a benefit," says Sam Newman, CEO of Flame King, a propane cylinder company headquartered in Gardena, California.

In turn, hundreds of thousands of non-refillable cylinders are indiscriminately discarded along the side of highways, into recycling bins and at campgrounds, raising concerns for public safety and regulatory agencies.

Mr. Newman says people can bring their 1-lb. cylinders to propane marketers to dispose of them. A number of municipalities have provisions to accept household hazardous materials, including propane cylinders. In fact, some marketers work with local garbage facilities or scrap metal suppliers to dispose of the cylinders by evacuating them in preparation for recycling.

"That's about the only time marketers will see a 1-lb. disposable tank," he says.

But Mr. Newman feels that 1-lb. cylinders are an untapped source of revenue for propane marketers. He notes that more than 40 million one-pounders are produced every year for consumers in the United States and Canada. Each of these cylinders is filled with product at the point of manufacture, representing approximately 40 million litres of propane that propane retail marketers are not involved with.

He believes marketers should be competing for a portion of that business. To help marketers tap into that industry, Flame King has introduced a 1-lb. refillable cylinder, which was launched this past April at the National Propane Gas Association's Southeastern Convention in Atlanta.

The Flame King 1 -lb. refillable propane tank will also help propane marketers gain entry into industries such as welding and plumbing. Many plumbing service trucks have 1-lb. propane tanks for welding, cutting, heating and bending copper pipe.

"Plumbing and HVAC être multibillion-dollar industries," says Mr. Newman. "Most air conditioning and heating technicians carry 1-lb. propane tanks in their service vehicles." Flame King has been selling propane cylinders and products to retailers, propane companies and OEMs throughout North America since 1998. Interestingly, Flame King got its start in the propane market by selling Coleman Company valves for 1-lb. disposable propane tanks for camp stoves.

Since then, Flame King has expanded its line to include 20-lb., 30-lb., 40-lb. and 100-lb. and forklift cylinders.

Flame King recently hired Terry Lamb, a 28-year veteran of the propane industry, to represent the company in a sales and marketing development function. Mr. Lamb is covering the Canadian market from Tillsonburg, Ontario.

With Flame King's new 1-lb. refillable cylinders, consumers give a deposit or get a credit card authorization to ensure that they bring cylinders back to the business. The refillable one-pounder cylinders are complimentary to existing cylinder exchange services for larger cylinders.

The consumer just pays for the gas, not the cylinder. "If you think about it, you have a one-pound disposable metal container that carries 1 pound of propane - where the costs to produce that cylinder are four times as much as the propane that is in it - and throwing it out after using it once," says Mr. Newman.

"Our concept is to condition people: Why are you throwing it out if you can use it for 10 years? We have to take care of our environment. We can do it economically and in a way that's environmentally friendly." Marketers are also able to use the one-pound business as a way to gain additional business from customers using propane as a fuel for their portable appliances.

"Retailers often use 1 -lb. disposable cylinders as a give-away to get consumers in the store," he says. "We're introducing a refillable product that looks and feels exactly like the disposable." The 1-lb. refillable cylinder business could bring in a high per-litre profit for propane marketers, Mr. Newman says. Larger box-type stores charge about \$3 for a disposable tank. In Canada, each cylinder contains approximately one litre.

"It's groundbreaking for the propane industry to get into these different markets, including plumbers, HVA installers and recreational consumers," he says.

"What I'm talking about is getting into another side of the business that could open up new opportunities and significantly increase what they're doing around their propane business." (c) 2013 Northern Star Communications Ltd.