

Caledon Propane Inc.

Exchange giant incorporates composite cylinders into its business model

BY BRIAN RICHESSON | Senior editor

Hugh Sutherland Jr. got his first look at a composite propane cylinder in 2000 during a business trip to Italy. Seven years later, the vice president of North American sales for Canada's primary exchange company, Caledon Propane Inc., incorporated the light, see-through container into its business strategy.

Using 20-pound barbecue containers manufactured by Ragasco, Caledon created its own composite brand, called MiPro, and launched a creative marketing concept. It features a popular female jockey who once made *People* magazine's list of the "100 Most Beautiful People." The woman, Chantal Sutherland, also happens to be Sutherland Jr.'s sister.

In the promotional piece, she is extending her arms to show how light and user-friendly the container is to handle. Caledon wanted to convey a positive message to women since they are exchanging cylinders more often today, Sutherland Jr. says.

Caledon Propane, founded by Hugh Sutherland Sr. in 1972, is headquartered in Bolton, Ontario, Canada, just outside Toronto. It's a major player in the country's exchange business, cornering 85 percent of the market share and partnering with Propane Expert on its PNE exchange brand, Sutherland Jr. says.

One of Caledon's latest ventures involves the composite cylinders, which are popular in Europe but have been viewed with skepticism in North America. Caledon is trying to erase that skepticism and ease that fear about safety by showing customers the benefits of composite cylinders.

Customers pay about \$40 more for the prefilled composite cylinders (\$90 compared to \$50 for steel), but Sutherland Jr. says they will recoup their purchase price by paying less than steel in the exchange process. In addition, they can trade their old steel cylinder and receive \$20 off the purchase of a prefilled MiPro composite cylinder.

Caledon Propane sold 3,500 MiPro cylinders in 2007, even after launching the product late in the year, and it estimates 5,000 sales this year, Sutherland Jr. says. The MiPro cylinders are exchanged at 18 Home Depot stores in Canada and five Canadian Tire stores, and Caledon sells empty cylinders to home hardware stores. (Propane Expert also distributes Ragasco's composites under the Mirage brand.)

With modifications and as customers learn more about the composite cylinders, Sutherland Jr. believes the product will begin to take market share from steel cylinders, especially with the increases in steel prices. **LP6**



TEAM: Hugh Sutherland Sr. and Hugh Sutherland Jr.

LOCATION: Bolton, Ontario, Canada

FOUNDED: 1972

SPECIALTY: The barbecue cylinder exchange business is the company's "claim to fame." Caledon also supplies propane for bulk residential, bulk commercial and temporary indoor and outdoor heating needs as well as for forklift cylinders.

PROPANE SOLD: 6.6 million gallons per year

ONLINE: www.caledonpropane.com

