A CUSTOMER CENTRIC APPROACH TO THE LUBRICANT INDUSTRY

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Abstract - With an increase in upgradation of the lubricant industry; it is all set to witness a change from volume approach to the value approach. The consumer today demands a more descriptive touch to every sector and is keen in the petroleum industry too. The lubricant sector is a lucrative business as it is slow paced but generates high returns in future. India accounts for 54 percent of the sector growth from the lubricant industry, and majorly has industrial and automotive segment. The substantial aspects of lubricant industry provides for segmentation of the market according to the varied customer base, which in turn drives out the major prospect of investments in technologies, marketing and providing value to the customer. This report provides a comprehensive look on the current scenario of lubricant market industry, and also provides a consumer centric approach to meet customer expectation with subsequent increase in market growth.

Index terms - Upgradation, Base Oil Pricing, Downstream, Strategy, Advancements

I. INTRODUCTION

The Lubricant Industry in India is witnessing a major shift in terms of volume to value market approach; with increase in the market share. The Indian Lubricant Industry is moved on by PSU’s like HPCL, BPCL, and IOC and by private companies like Shell, Castrol, Exxon Mobil, Gulf Petrochem, Petronas and many more. In terms of volume, India stands third after USA and China. The industrial trends of the lubricant industry shows increase in demand from the manufacturing sector and tends to grow with increase in the expansion of the lubricant market.

Since 1993, the lubricant industry has witnessed major policy shifts like the: Decanalisation of the base oil imports has certainly brought in private players and adds significantly to the market share, the market determined base oil pricing, the quantitative restrictions has been laid off for the allotment of product demanded as per the quantity, and reduction in custom duties of base oil has shifted the lubricant industry market to greater and achievable heights. The lubricant industry presents new market opportunities for the firm’s growth in the power, automotive and engineering sector has been played a significant role for the growth of lubricant manufacturers. In the automotive sector the consumer is shifting to efficient vehicle and motorbikes, they use higher grade lubricant which results in multi grade lubricants getting a greater market share. There are prospects of high level of investment in the power sector, transport and manufacturing has the potential to drive very strong growth in the aviation lubricant as well as in the transformer oil. In the long run, the overall scenario for the automotive lubricant looks bright because the growth of Indian economy has led to an increase in the buying power of the consumer.

II. CURRENT MARKET TRENDS

The lubricant industry is a highly profitable business for the downstream and is providing many opportunities for the players to grow their business and provides for new entrants to join their business. Global demand for the lubricants in the world is around 43 billion liters. In which automotive sector accounted for 54%. Industrial for 41% and the rest is by Marine Lubricants. Industrial growth is accounting for 2-2.5% per annum and automotive at 1% per annum this is due to saturation of the vehicle population, improved engine technology and better quality of oil.

Area wise demand of Lubricants is shows Asia Pacific at 40%, Europe at 28%, South America at 12% and North America at 20%. Asia is the third largest consumer of lubricants and is expected to grow at a faster rate in future when compared to developed markets. The consumption of Asia has been increased from 22% in 2003, 25% in 2008 and 40% in 2016.

Lubricant companies are paving way for sustainability in the industry. Lubricant companies are maintaining a good brand image within the minds of the customers, so as to combat competition. Competition in the lubricant market has been a major factor for the companies to survive in this lucrative market. They have been creating awareness in the market about their presence through dealer’s and mechanics meets, advertisements through hoardings, TV broadcasting, and Shutter paintings, in order to create a sense of visibility and to retain the specific product in the market. Companies have been doing tie-ups with major oil companies and car manufacturing companies so as to capture the consumer on sight in order to benefit both the company and the consumer.
The companies are even doing product costing and competitive pricing at varying rates with dealers and immediate consumers in order to differentiate the product with the complementary brands in the market. Companies are also doing mergers and acquisitions in order to get a bigger brand image and brand awareness for the consumer to be aware of the brand existing the market.

The rising competition in the lubricant market, success will only depends upon how you market your brand, how well it is branded and distributed to reach the ultimate consumer.

III. BUSINESS TRANSFORMATION THROUGH MARKETING AND DISTRIBUTION CHANNELS

Lubricant Industry is focusing on channel marketing to sell automotive lubricants through retail establishments, service providers or adjacent industry which forecast potential growth in the customer base. The global lubricant market is driven by dynamic advancements in vehicle design and changing fuel quality, provides a driving force for the lubricant manufacturers to develop high end formulations. The performance requirements are driven by Original Equipment Manufacturer’s demands for reduced carbon footprints, improved efficiency and optimized fuel consumption. The business transformation in the lubricant industry is to shift from the models of carrying on business in the same manner to modifying and establishing various aspects of the same business.

The transformations add to the variations of shifting from current competitive positioning to help improve that position with certain advancements in the approach. The model below shows that the shift from minimizing cost to the maximizing the impact downturns the entire process and adds on to the optimizing of the entire operational process. The back end process of the customers and channels includes the forecourts, auto shops, large retailers, OEM workshops, independent workshops, quick services and many more. The below table represents the entire lubricant chain from the additives, base oil to the end channel that is the customer.

Key drivers of the lubricant industry.

![Image](https://example.com/image)

The industry also has an impact of the Porter’s Five Force Analysis that is; The Threat of New Entrants, Substitutes and Complements, Power of suppliers, Power of buyers and Rivalry among current competition. The lubricant industry in order to have a relevant position in the market has to work on three dimensions that is to capture the critical elements of business, drive customer preferences or an important attribute, and to categorize competition.

Therefore the business transformations in the lubricant industry has shifted the business model variably for the customer’s viewpoint. Consumer centric approach is an important approach because it values the customers, develops the relations for valued customer base.

IV. RESEARCH METHODOLOGY

The industry is very competitive and requires a lot of detailed approach to frame out a strategy of business, therefore surveys are essential in gathering information from the real time customer. The information is collected though interaction, observations and questionnaire. The pain points and the challenges can be understood much better. The questionnaire provides a real time information of how the companies can respond to the feedback from the customer and thereby provide better sales. The questionnaire also presents a pragmatic experience to understand local perspectives on global impact on lubricant industry; it engages the marketer, distributor, retailers, and mechanics. The methodology also takes in charge of the secondary
research in hand in order to understand the previous and the current market trends. The baseline knowledge of the market helps to formulate the market growth and the significant changes over the years.

V. CHALLENGES FACED BY COMPANIES

The lubricant industry is facing severe challenges due to volatile change in prices, currency fluctuations, overages and product shortages, changes in oil derived products and petrochemical flows, as well as continuing emphasis on energy efficiency, sustainability, and environment poses challenges to the lubricant and the base oil industry. There has been an increase in the number of competitors have raised sustainability issues for the companies to strive in the high risk and high return business. The industry has limitations on the consumers being unaware of the existing brand, its quality and the purpose of its use which limits the growth share per capita. The cost of manufacturing the product is certainly high as it involves complex processes to drive out the finished product. The cost poses a sever challenge as the customer demands a reasonable priced product, and the lubricant process being a complex one, adds on the final price, which becomes difficult for the customer to buy the product. The lubricant distribution channel involves several mediators like the DSR’s (Distributors sales representative) which becomes a major challenge because the distributor is the person who becomes the face of the company in terms of sales to the dealers and mechanics, which also gets affected due to the delivery time from distributor to the dealer. They must strike chords between the distributors and the company’s reputation in the market because they represent the brand image of the company.

There has also been changes in the market segment; changes from normal engine oil to high performance engine oil, which leads to enhancement in the production of lubricants as well as the marketing and branding needs to match the customer base and the right target market. The relationship between the buyers and the distributors also play an important role in the market base, product procurement and end-distribution channels. The fear of low sales also affects the market base of the lubricant due to shift from the normal engine oil to better performance engine oils, has created new product branding with respect to the customer base. The Government of India also assures the companies for lower emissions for industrial and automotive sector, which poses a serious question on the upgradation of technologies for re-manufacturing of low emission lubricant oil. The challenges of the lubricant industry has been severely enhanced due to the technological advancement, better customer base and enhanced marketing and distribution channels which poses difficulty to sustain the in the highly competitive market.

VI. OPPORTUNITIES FOR DEVELOPMENT

The rapid industrialization in the lubricant industry has led to a strong growth in the production of vehicles and provides for better purchasing power with the middle class of affording better lifestyle with better investment. The shift has made it possible for the lubricant industry to make better lubricant oils with respect to the increase in the vehicle production in India. As per the “Make in India” initiative it aims to make the manufacturing sector a key engine for India’s economic growth. The strategy for the Indian lubricant industry has been progressively shifting from the sales push, commodity type marketing to brand pull as per the FMCG industry marketing strategy. The industry is reshaping the lubricant definition in terms of marketing strategy, which at present calls for a wide distribution network and a brand image which can reside within the minds of the customer, and turns out to be an important factor for success in the lubricant industry. The opportunities residing in the industry has been huge and it calls for more investments and better initiatives to expand the network of the market share and re-produce better product with better customer base.

VII. CONSUMER CENTRIC APPROACH

The consumer focused approach calls out for a better vision, mission and strategy to aim for a better product, better price, better awareness of the brand, and transparency of usage to the ultimate consumer. A consumer centric approach mainly targets the customer’s minds and keeps in mind the necessity it drives out from the product selection. The approach mainly retains the customers for long term with increased profits and sustainability in the market. The customer today is more technology driven and demands for a better specification product to suit the specific needs of the vehicle. The primary survey spells out specific variations that the companies need to focus are better margins, schemes, promotional activities and branding of the product, because lubricant industry has a negligible switching cost and only personal relationship play an important role in building market share of the industry. Consumer centricity has led to business transformations as it values consumer and builds relationship to maximize consumer product and service experience. The most important aspect is the loyalty that the customer provides and helps the company to become the leader in the competitive market. The demands and the needs of the customer when looked upon enhances the customer’s expectations and the company’s viewpoint. Therefore, centricity is an essential aspect
of the business to authenticate and fabricate the aspirations of the customer as per the product desired.

VIII. WAY AHEAD

The current evolving lubricant market in India demands for a holistic and end-user segment driven analysis to spot the emerging trends and impact on the key product that drive the lubricant industry. At present the industry is going through a bumpy phase and near future seems to be demanding. The industry needs to align its further growth strategies to focus on the end users market, and to implement necessary steps at the right time and at the right place.

CONCLUSION

The global lubricant market is expected to reach $162.3 billion by 2019 as the growth of end-user industry in key countries such as China, India, South Africa, Brazil, and Iran are key drivers of growth in the lubricant industry. The adoption of bio-based lubricants is the current trend in the lubricant industry to reduce the environmental effects and is boosting the overall growth in the market. The shift towards becoming a truly customer centric organization is both complex and long but, do not be put off by this as even the smallest changes to policy and processes can have a significant benefit for both employee and your customer. Being a customer centric organization is the Holy Grail towards unlocking the true potential of customer value. Always put yourself in the shoes of the customer and minimize customer effort and maximize customer value.

REFERENCES