

LUBE

TECHNI-GRAM



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THE ROLE OF INDEPENDENT LUBRICANT MANUFACTURERS

After reading of one major oil company recently launching a \$50 million advertising campaign, I was reminded of how the oil industry can be one of the most “watched” but least understood industries in the world. Major oil companies do an amazing job of creating brand name recognition through television, radio and written advertisements. This particular major oil company was pumping \$20 million into radio and television airwaves, while an additional \$30 million was to be pumped into trade ads, in-store and public relations promotions, and a consumer sweepstakes. Since the “do-it-yourself” oil changer market accounts for around 55% of motor oil sales, it’s easy to see that the huge advertising dollars are primarily directed at the “mass automobile buying public.” For individuals in charge of industrial/commercial maintenance or heavy equipment fleet managers...that’s where the independent lubricant manufacturer is most important.

Independent lubricant manufacturers are those lube manufacturers that are not owned or controlled by the major oil companies. While not always readily recognized by “John Q. Public,” they are the ones that account for a significant percentage of lubricants sold to the heavy-duty market. Quality oriented independent lubricant manufacturers place the majority of their dollars into product performance rather than on glittery advertising and packaging.

Very few people seem to know that from a barrel of crude oil 46.2% is made into gasoline, 28.6% into fuel oil, 10.1% for petro chemicals, 7.4% for jet fuel, 4% for asphalt, 2.1% for kerosene, and 1.6% for lubricants. These statistics give credence to the ever increasing evidence that major oil companies are “getting away” from the lubrication segment of their potential market. They are doing this for several reasons:

- It’s the smallest segment of their business...in view of the millions of dollars being made from gas and fuel oil, it is evident it is certainly not the most profitable for them.
- With such small comparable volume potential, lubricant products are many times completely ignored when capital investment for major oil companies is mentioned. Planning for lube manufacturing necessitates additional facilities, selection of particular crudes, and a great increase in personnel. This is evidenced by the fact that only one refinery in five has a lube oil manufacturing operation.



... to keep it running

- The “big is beautiful” theme of the major oil companies has had a severe impact on many lubricant users. The large oil companies are, by design, leaving the small consumer to find for himself a suitable source of lubricant supply. These “less than tankerload” customers who may have been previously supplied by major oil companies several years ago are finding themselves without service. The majors cannot justify the personnel making service calls for, in their eyes, such small volume. Neither can they afford to tie up capital for secondary distribution warehouses, the handling of billing and collection, and special customer needs that are best done by a more flexible operation. Many package sizes and special blends have been reduced or eliminated. One customer recently relayed that he had been the Maintenance Manager at his company for 16 years and never saw the major oil representative his company purchased from. As he stated, “The drivers just drop their oil off and they’re gone.” Need technical information? Good luck with local oil distributors...unless you’re looking strictly for price per gallon/pound information, you might not get the answers you need?

Independent heavy-duty lube manufacturers like Southwestern Petroleum Corporation, specialize in providing heavy-duty lubricants and technical support and services to assist industrial/commercial maintenance personnel and fleet managers in their toughest lubrication applications. We meet the demand for improved lubricants with value-added products. In addition, we were among the first to offer numerous technical and maintenance support programs, including Laboratory Oil Analysis Programs to help customers maximize their drain intervals and reduce expensive waste oil disposal costs.

As an organization, the Independent Lubricant Manufacturers Association (ILMA) plays a most important role of serving as a “watch dog” over regulations and specifications that affect customers. ILMA supports improved products, but also serves to be sure there is a justification for new specs such as new engine oil specs. And, it serves to make sure the playing field is level. If original equipment manufacturers write specifications that only their brand of lubricants can meet, the playing field isn’t level! Especially considering many of these OEM brands are simply packaged and private labeled by major oil companies.

Southwestern Petroleum Corporation is proud to be a member of ILMA and we are most proud of our ability to fully serve customers’ needs and reduce the real cost of lubrication. Here at SWEPCO, lubricants are not 1.6% or a small part of our business...lubricants are our business. Our objective is to “INCREASE CUSTOMER PROFITABILITY” through:

- LONGER EQUIPMENT LIFE - Fewer capital expenditures
- EXTENDED SERVICE INTERVALS - Reduced lubricant disposal
- ESP PROGRAM - Documented electrical cost savings
- FEWER REPAIRS - Fewer parts, less labor
- LESS INVENTORY - Multi-purpose products
- OIL ANALYSIS PROGRAM - Safely extends service intervals