CHAPTER 1

INTRODUCTION

1.1 OVERVIEW
This chapter outlines the need of the study to be conducted and states the importance of adoption of social media by automotive lubricant companies in India. It also highlights the business problem and discusses related facts and figures that enlighten the need of this research. The conclusion of the chapter ends with the outline of the study.

1.2 INTRODUCTION
The Indian lubricant Industry is highly correlated to the GDP as it provides solutions for many different parts of the economy (Anand M. , 2009). Currently the biggest challenge that is being faced by the market players is ensuring that the consumers are aware about the lubricants which are available in the market and which is the right one and its applications (C.R, 2007). In India, the lubricant users are focused on its performance. Hence due to the rise in demand of high performing products, creating awareness of these products has increased (Cobler, 2009). The Indian lubricant market is the fifth largest market in the world when we talk about consumption of automotive lubricant in volumes after the US, China, Russia & Japan. Indian Lubricant market is unfolding many opportunities currently for many companies (Anand M. , 2005). The per capita consumption of Lubricant in India is low as compared to the developed countries; however research has shown that when compared with countries like China, Indonesia (Verma, 2015). India has shown a significant potential for growth in lubricant consumption. With the improvement in the economy there would be investments and the lubricant industry will also get impacted with the same (Verma, 2015). The rise in the disposable incomes, the increasing population of automobile users and parallel increase in industrial activities will be resulting in the increased expenditure on lubricants.
1.2.1 GLOBAL SCENARIO OF AUTOMOTIVE LUBRICANT INDUSTRY

The overall demand of automotive lubricants across globe accounts to 41 million KL per year. Previous five years have seen an increase in this overall number by 5-7%. The growth of automotive lubricant market is yet at a very slow pace in developed countries because of availability of modern infrastructure like metros, improvements in the technology of the engines and improved quality of the oil used. The region wise demand of lubricants can be segregated into 4 parts namely Asia pacific contributing 25%, Europe 35%, North America 28% & Central Southern America 12% (Verma, 2015).

In the global scenario, Asia is the third leading market where the growth rate has been predicted to grow at 35% per annum which is recorded to be the fastest one as compared to other developed markets (Ken Research, 2014). There are 1700 players that form the global lubricants industry and out of these nearly 4% control 80% of the worldwide sales (Ken Research, 2014). There has been a lot of technological development in automotive engineering. The oil equipment managers and customers have started demanding for better automotive lubes that have a longer duration of performance, ensuring properties & can meet decent standards of the emissions (Chaugh, 2011). Manufacturers of automotive lubricants have started changing their approach in order to ensure that the specific demand of the consumers is met (Chaugh, 2011). Therefore they have segregated the lubricants on the basis of their performance and also on features like synthetics and semi synthetics. The volume of the automotive lubricants has been expected to grow from 42,400 KT into 2015 to 46,780 KT by 2019 with a CAGR of 2.4 % which certainly shows an economic growth platform for a country like India (Verma, 2015). The consumers of automotive lubricants have shown a shift in their preferences when they buy lubricants. They are now focusing on brand name, services & price before they decide while choosing a particular automotive lube brand (Ken Research, 2014). Therefore lubricant is moving from being merely a commodity to a fast moving consumable good where a vast distribution network is needed and a high brand image account to the success factors of the brand. This also indicates that the players
in the market should increase expenses related to advertisements where the focus should clearly indicate development of a high brand image and improved brand equity. (Ken Research, 2014) The competition in this industry has highly intensified where the competition has been with prices leading to small players either moving out of the market or merging with other big players (Ken Research, 2014).

1.2.2 INDIAN LUBRICANT MARKET

India is the seventh largest auto lubricant market in the world and is dominated by national oil companies which are IOC, BPCL & HPCL which together account for more than half of the market share (Ken Research, 2014). The other part includes private multinational players like Shell, Exxon Mobil, Total, Petronas, and IPOL etc. In the Indian automotive lubricant market, the growth has been registered at 7% on the year on year basis (Ken Research, 2014). The market is basically revolving around pricing which is a biggest challenge for the market players. The only differentiator here is the services and the value addition that the market players create on the product in order to stand in the market.

The major area of lubricant in India is taken up by Automobile sector which is 70% (Verma, 2015). The products here include Auto Engine Oils, Auto Gear Oils, Auto Greases, Turbine Oils, and Hydraulic & Circulation Oils etc. A recent study gave the estimate of lubricant consumption of 2 MMT in the year 2014-15 in India. India has seen an increase in the competition when we look at auto lubricant sector (Verma, 2015). This is mainly because of entry of various multinationals in the Indian market. Lubricants have the highest margin among refined petroleum products in India. The companies have administered that they earn 20-30 times more by the revenue generated from sales of lubricants than any other petroleum product (Verma, 2015). Aggressive marketing has also been one of the major contributors. The Indian markets have seen a change in the preferences of the consumers while they buy lubricants. Even in such an intensified competitive scenario the companies are still working with the same traditional
marketing communication mediums. The media spends have increased due to heavy expenditure on advertisements by public sector units for their lubricants (Ken Research, 2014). The companies have shifted to be aware of the influencers and the needs of the consumers while creating a line of brand and availability of various sizes and packaging of lubes in order to cater to the consumer needs. The companies are offering huge trade discounts therefore compromising on their own margins. Direct Marketing initiatives have still not been taken up by these companies inspite of the fact that brand building and brand image will help them in effective marketing. The focus has to be on customer relationship management activities in order to ensure sales. The consumer of a lube needs to be educated in order to make him understand the technological differences in the product.

Indian automotive lubricant industry has shown the capability to unfold various market opportunities. In order to understand the market behavior of the consumers of the auto lubricant market, it is important to define who the consumer is first. A consumer is one who is the owner of any vehicle. The main influencer or the motivator while he purchases a lube is a retailer, mechanic or dealer. This clearly indicates that the owner of the vehicle has limited intricacies of the lubricants. He definitely goes with the brand which gives him value for the money. For automotive lubricants in India, the consumers can easily shift their loyalty of a brand for another just for a very little price different. This fact can be attributed to his low involvement while he makes the purchase. Therefore in order to make this choice the companies are adopting customer oriented approach where the main objective to create brand awareness and this activity is basically carried out with the use of traditional marketing communication mediums.

1.2.3 MARKETING STRATEGIES ADOPTED IN THE OVERSEAS MARKET TO PROMOTE AUTOMOTIVE LUBRICANTS

In the overseas automotive lubricant market, the marketers have focus on brand awareness, brand equity and informing and updating the consumers about the changes happening in the product
(Dresel, 2012). The reliability for marketing communications was previously on the traditional mediums but adhering to the changes and shifts which were seen in consumer behavior for deciding on purchase of lubricants, the marketers explored new mechanism that were in use by their consumers already. The new mechanism made it easy for the marketers to reach their target audience in their preferable manner. This new mechanism is known as Social Media (Duo, 2010). Social media has become a part of lives of people overseas also. The automotive lubricant marketers in the overseas market are clearly using Social Media as a business tool where they are doing a lot of networking with clear cut marketing goals and making a lot of effort with positive result orientation (Duo, 2010). The lubricant industry like any other industry has seen a positive impact by using social media in their business. The consumers in the overseas market have given a positive nod to the way they have got quick access to lubricant recommendation via any social media platform. They are able to find and choose the right lubricant for their vehicle, therefore cutting down on getting confused while electing a product (Duo, 2010). This in turn has made consumers made loyal towards the brand. The consumers are able to learn about the availability of new lubricants in their own language. The easy access to contact forms, information about lubricants, frequently asked questions through social media have made the companies look more interactive. This has also given consumers ease to shop through their mobile device and therefore enhancing m-commerce (Duo, 2010). In overseas market the automotive lubricant companies have made their presence on social media platforms with a complete brand and product presence and also reported that an investment in social media platform gives an outcome for a longer period. Social Media applications have received a huge positive media attention, thereby making the brand presence felt stronger. The companies are using social media as a direct marketing communication tool and have seen an increase in the sales also. Social Media according to these companies is one tool which has got strong power for word of mouth marketing. The most important factor is the lower marketing budget and low marketing cost involved in the use of Social Media.
1.2.4 SOCIAL MEDIA MARKETING-INDIAN TRENDS

The use of social media in India has increased drastically as the strength of Internet users nationwide has reached 302 Million users as on Dec 2014 (Ken Research, 2014). Social Media giants see India as one of the key markets as the active numbers of social media users is around 106 million, where India tops the chart amongst being in top three countries with Facebook with 100 Million + users (Ken Research, 2014). The key contributors of this increased growth in Social Media usage is the increasing mobile web penetration. A study showed that 81% of the brands have considered Facebook among their most important platforms for marketing followed by twitter and YouTube (Ken Research, 2014). The Indian users and business see social media platforms as one of the most important and comfortable mechanism to engage with each other. Primarily the Indian companies have few objectives to ensure their presence on social media which includes building brand awareness, building a community and customer engagement. In India, companies who are using social media for their marketing purposes spend up to 15 % of their annual marketing budget exclusively on this platform. 75 % of the Indian online population is digital consumers (Ken Research, 2014). The spend on the television medium accounts for almost 44% of the overall marketing spend which in terms of money equals to INR 386 Billion (Ken Research, 2014). If the same expenditure is equalized to social media marketing the same amounts come to INR 12.17 Billion, therefore the companies have the opportunity to save on money (Ken Research, 2014). The Brands that have used Social Media in the year 2013 have spent approximately INR 1 Million on their activities (Ken Research, 2014).

1.3 BUSINESS PROBLEM

The lubricants industry is highly correlated to GDP as it provides solutions for many different parts of the economy. Hence, a strong progressive government that is able to grow the economy will mean strong growth for the lubricants industry in India. A big challenge which the industry
is currently facing is the awareness about available lubricants and right lubricant for right application.

According to Social Media Examiner India Report 2013, there has been a huge growth in the number of internet users throughout the country. 91% of urban and 62% of rural population has started accessing social media every via mobile phones (Emarald, 2013).

According to Neilson Global Ad View report 2012 (View, 2012), internet has grown as a very fast media for marketing communications as shown in (Figure 1.1)

![Figure 1.1: Media % Change Year on Year (View, 2012)](image)

It can be inferred that apart from the traditional medium, the new medium like internet has made its place giving potential avenues to marketers to make digital presence.
According to Group M report the growth in advertising expenditure has grown in digital. It is clearly indicated in the Figure 1.2 that digital media expenditures have grown thereby making expenditures in traditional medium fall down (M, 2015).

![Growth in Advertising Expenditure for All Media](image)

**FIGURE1.2: GROWTH IN ADVERTISING EXPENDITURE FOR ALL MEDIA (M, 2015)**

To see how well social media has been able to make its image in the market Figure 1.3 can be referred. In the Figure 1.3, it can be said that all the social media platforms have different competencies and have been able to provide reach to different companies.
Digital penetration is growing and so are the advertising budgets in the country. In the latest findings of the ‘Digital Advertising in India’ report, jointly published by the Internet and Mobile Association of India (IAMAI) and IMRB International, it is stated that the online advertising market in India was projected to reach INR 3,575 Crore by March 2015 with a year-on-year growth rate of 30% (IMRB, 2014).

The online advertising market was pegged at INR 2,750 Crore in March 2014. The extensive report focuses on areas like digital advertisement industry spends, ad avenues, spends and growth, ad effectiveness, among other areas (Ken Research, 2014). As of June 2014, there were 243 Million claimed Internet users where contribution of urban users is 65% and rural is only 35% (Ken Research, 2014). Out of these, 192 Million are active Internet users who access Internet at least once a month (IMRB, 2014). Digital advertising spend in India was INR 2,260
Cr by the end of FY’13 and it reached INR 2,750 Cr by the end of FY’14 with a CAGR of 25% year-on-year since 2011 as shown in Figure 1.4 (IMRB, 2014).

![Figure 1.4: Digital Advertising Market in India](image)

E-Commerce, Telecom and FMCG & Consumer durables are the top 3 verticals in terms of spending in digital advertisements till the end of FY’2014 as shown in Figure 1.5 (IMRB, 2014). Of these verticals, ad spends by E-Commerce companies constitute nearly 18%. The lube companies can also see the benefits retained by these industries (IMRB, 2014).
FIGURE 1.5: DIGITAL SPENDS ACROSS INDUSTRY VERTICALS

Figure 1.6 shows the absence of lubricant industry which means that the spending is still low even when it is one of the major contributors in GDP of our country (Ken Research, 2014).

FIGURE 1.6: INDUSTRY WISE DIGITAL MARKETING AD SPENDS IN INDIA

In the financial year 2013-14, online advertising market on an average is expected to grow by 40 percent (last four years average). In 2012-13, the industry verticals which has performed well include: Auto (13%), BFSI (12%), Travel (12%) and Telecom (14%). In 2012-13, one of the verticals which has seen decline in spend is Ecommerce, which constitutes to about 5% of the total market spend which was 7% in FY 2011-12.
Lubricant industry is one industry which is still deprived of the usage of social media as per the following Figure 1.7 (IMRB, 2014). It can be inferred that the presence of other related sectors that account to the GDP of our country directly.

![Figure 1.7: Industry Wise Spends on Social Media](image)

There are certain facts about automotive lubricant industry in India which we must go through before defining the business problem. These are as follows:

- The Indian lubricants market is the fifth largest market in the world in terms of consumption volume after the US, China, Russia and Japan (IMRB, 2014).
- 3rd largest market in Asia –Pacific, Volume of Indian Lube Market- 1200 million litres (IMRB, 2014).
- Indian lubricant market worth- 1, 02,000 million in INR (IMRB, 2014).
- The Indian lubricants industry revenues have increased from USD 1611.7 million in 2006 at a CAGR of 18.6% during FY’2006-FY’2012 (Ken Research, 2014). The Indian lubricants market will exceed revenue of 7713 million by 2017 due to rise in sales in
automobile market in India. Therefore, keeping in mind this fact we can use social media to increase the revenue more than what has been forecasted hence avoiding opportunity cost.

- With rising disposable incomes, the growth in automobile users will lead to increased spending on lubricants in India (Ken Research, 2014).

The market share of various lubricant companies has been shared in the Figure 1.8 below where it can be stated that IOCL has the highest share. The other companies would definitely plan to increase their market presence which can easily be done by involved new mediums of communications for creating brand awareness (Ken Research, 2014).

![Market Share of Lubricant Companies](image)

**FIGURE 1.8: MARKET SHARE OF LUBRICANT COMPANIES** (Ken Research, 2014)

The Nielson Report 2014 shows the use of various mediums by automotive lubricant companies (Figure 1.9) (Neilson, 2014). In the diagram it can be inferred how less social media is being used by automotive lubricant companies in India. The other mediums have been given due importance and spending has also been above average for what has been estimated and considered in this industry. The low usage, when compared with the benefits and penetration seen in social media in our country, indicates clearly that one needs to study the factors
enhancing the selection of social media by automotive lubricant companies in India. The automotive lubricant companies in India have yet to acclimatize themselves with the benefits of using social platforms for marketing purposes. As compared to the uses automotive lubricant companies have made overseas with companies like Shell and Castrol doing huge campaigning over social platforms where the companies claimed to have saved huge costs over marketing, automotive lubricant companies in India are yet to experience this claim (Neilson, 2014). Moreover, Shell has also claimed to have saved on spending on other mediums because of the reach that unfolded itself by using social media.

![FIGURE 1.9: GLIMPSE OF VARIOUS MEDIUMS USED BY AUTOMOTIVE LUBRICANT COMPANIES IN INDIA](Ken Research, 2014)

After looking at the related facts we can say that:

<table>
<thead>
<tr>
<th>Medium</th>
<th>% of Use</th>
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<tbody>
<tr>
<td>Television</td>
<td>29%</td>
</tr>
<tr>
<td>Newspapers</td>
<td>17%</td>
</tr>
<tr>
<td>Hoardings</td>
<td>4%</td>
</tr>
<tr>
<td>Banners</td>
<td>10%</td>
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<tr>
<td>F1 Races</td>
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<tr>
<td>Sponsorships</td>
<td>20%</td>
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<tr>
<td>Print</td>
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<td>Direct Mail</td>
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<td>Social Media</td>
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After looking at the related facts we can say that:
“Low usage of Social Media as a Marketing Communication Medium by Indian Automotive Lubricant Companies is leading to opportunity loss.”

1.4 RATIONALE AND MOTIVATION

The rationale of this study is to highlight the factors that influence the adoption of social media in the integrated marketing communication strategy of automotive lubricant companies in India. The aim of the study is to explore the integrated marketing communication process which was developed for traditional media formats such as television and print. This study seeks to provide automotive lubricant companies with insights to enhance the successful implementation of social media within their integrated marketing communication program. It does that by providing a deeper understanding of process and factors identified in the research findings. Using mixed method and analysis procedures, a rich account of the process will arrive at the essence of the research problem. Using an exploratory approach, this study aims to provide factors that shall influence the adoption of social media in the integrated marketing communication strategy of automotive lubricant companies of India. Henceforth, the outcome aims to propose influencing factors for this context and offer further avenues for academic investigation.

1.5 OUTLINE OF THE STUDY

Using a qualitative approach, the study seeks to explore the stages of process where decision makers decide the media. Using quantitative technique, factors have been explored which influence the adoption of social media. While the majority of the influencing factors are identified in the literature; there is a deliberate intention to look for new factors encountered.

1.6 CONTRIBUTION OF THE STUDY

The study will make contribution to the existing research by providing contemporary insight based on qualitative research methods, quantitative research methods and analysis. The conclusions from this study will shed light on the process of integrated marketing communication channel selection, and then offer factors for adoption of social media in the
marketing communication strategies of automotive lubricant companies in India. This study puts forward tentative guidelines for marketing managers, as well as research propositions for further qualitative and quantitative research.

1.7 ORGANISATION OF THE REPORT

The research has been compiled in the following sections:

Chapter 1: Introduction: This chapter highlights introduction of the research study and highlights the need of social media for automotive lubricant companies in India. The chapter includes business problem along with various facts and figures. The inclusions also show various reports that have been employed to gather relevant facts related to the study. The establishment of business problem has given way ahead to establish the foundations to carry literature review. This chapter concludes with the overview of the entire research.

Chapter 2: Literature Review: This chapter includes four broad themes under which rigorous literature review has been carried out. These themes include: review on integrated marketing communication channel selection and its challenges in automotive lubricant companies in India, review on factors that lead to the selection of integrated marketing communication mediums, review on factors leading to selection of social media and review on theoretical premise of integrated marketing communication planning process. The chapter summarizes the outcomes in the form of the research gaps that have risen from the literature viewed.

Chapter 3: Research Design and Methodology: This chapter throws light on the research design and method adopted for executing this study. The chapter highlights research problem, research objectives and the overall approach that has been adopted to address the objectives. The research design and methodology have been designed differently for both the objectives. The research involves use of both qualitative and quantitative methods depending on the nature of the problem. The techniques and tools have been detailed out in this chapter.
Chapter 4: The IMC Process of ALCs in India: This chapter shows the details of the integrated marketing communication process as executed by automotive lubricant companies in India in the current scenario. The stages of the process and the various steps involved in the process have also been discussed. The involvement of various people throughout all the stages and the steps has been highlighted and use of various sources has also been discussed.

Chapter 5: Data Analysis and Interpretation: The chapter shows the execution of research design and methodology to arrive at the outcome to answer the objectives of this research. The analysis of the research objectives has been done for both the objectives. The analysis of the process has been detailed out and use of SPSS has been highlighted to arrive at the factors. The interpretations of the process and factors have been done in detail. The chapter concludes with the validity and reliability.

Chapter 6: Findings, Conclusions and Recommendations: The chapter highlights the entire process adopted by automotive lubricant companies in India towards integrated marketing communication channel selection mechanism. The chapter shows various elements considered while making this selection. The factors have are important for adoption of social media have been discussed. The recommendations for future research for academicians and adoption of social media for marketers has been made.

1.8 CONCLUDING REMARKS

The establishment of business problem has given direction to the research to be conducted and gives roots to the existence and need of the research conducted. The literature review discussed in the subsequent chapter shall allow the researcher to find research gaps and strengthen the need of the study. The outline of all the chapters has been discussed in this chapter. Overall six chapters have been designed that justify the overall study. Each chapter outline gave a blue print of what the chapter comprises of. The need of the study has been established with the business problem. The themes have been discussed under which the literature review will be carried out.