CHAPTER - II

RESEARCH METHODOLOGY
OBJECTIVES OF RESEARCH STUDY

The Indian lubes market was regulated till 1993, with the market dominated by the 4 public sector undertakings including IOCL, BPCL, HPCL and IBP. Deregulation had a severe impact on the structure of the Indian lubes market. It encouraged foreign majors to set shop in India. The number of players increased overnight to over 25, with entry of MNCs like Shell, Exxon, Mobile, Caltex, Elf, etc. Competition has become intense.

The entire lubes market in India can be classified into two key segments automotive and industrial. In India, the automotive lubes account for over 60% of the market. Diesellubes share is estimated at 70% of the same because it comprises commercial vehicles including trucks. The current Indian market is estimated at Rs55bn in values and is growing at 5% pa. This translates to a volume of 1.05 mn kl per annum. The installed capacity is 1.6 mn kl per annum, leading to over supply.

There are two key markets for lubes in India, namely the original equipment (OE) segment and retail trade. Given high levels of competition, OE linkages are becoming important. The Channels for replacement market or the retail segment are petrol pumps and retail outlets. Under the Administered Pricing Mechanism, ownership of petrol pumps and retail outlets. Under the Administered pricing Mechanism, ownership of petrol pumps was restricted to the four major oil marketing companies, i.e. IOCL, HPCL, BPCL and IBP. The other private players had to set up an independent distribution infrastructure comprising stockists and dealers through out India. The performance of Castrol in setting up this infrastructure has been exemplary.

Secotor will witness severe competition, which may lead to a price war. A period of consolidation is likely in the near future. With entry of MNCs with deep pockets, better technology and brand power, exit of marginal Indian players is imminent. After this will emerge a period of consolidation market with mergers and acquisitions which will change the face of the lubes industry.

Given the demand slowdown, investors should wait before taking any fresh exposure. Given its brand power, distribution network and management, Castrol remains the best investment option in this beleaguered sector.

Following liberalization, the major policy initiatives taken were.
Decanalisation of base oil - Before 1993, base oil, the key raw material was imported by IOCL, the sole canalising agent.

Pricing - Under APM, the lube base oil stock was allotted to the users in a quota basis, which became irrelevant after decanalisation and freereimports.

Quantitative restrictions Base oil stock was allotted to the users in a quota basis, which became irrelevant after decanalisation and freereimports.

Reduction in duties - Customs duty on base oil stock was reduced from a peak of 85% to current levels of 35%.

Lack of availability of key raw material and high import duties deterred MNCs to set shop. Deregulation had a severe impact on the structure of the Indian lubes market. It encouraged foreign majors to set shop in India. The number of players increased overnight to over 25. with entry of MNCs like Shell, Exxon, Mobile, Caltex, Elf, etc. High quality lubes were now available to the Indian customers. Competition has become intense which gets reflected in the changing market shares.

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Share (%)</th>
<th>Market Share (%)</th>
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<tbody>
<tr>
<td></td>
<td>1992</td>
<td>1998</td>
</tr>
<tr>
<td>IOCL</td>
<td>54</td>
<td>42.0</td>
</tr>
<tr>
<td>HPCL</td>
<td>20</td>
<td>18.0</td>
</tr>
<tr>
<td>HPCL</td>
<td>20</td>
<td>18.0</td>
</tr>
<tr>
<td>Castrol</td>
<td>6</td>
<td>18.0</td>
</tr>
<tr>
<td>BPCL</td>
<td>13</td>
<td>7.0</td>
</tr>
<tr>
<td>Gulf Oil</td>
<td></td>
<td>3.0</td>
</tr>
<tr>
<td>Tidewater Oil</td>
<td></td>
<td>3.0</td>
</tr>
<tr>
<td>Elf Lubricants</td>
<td></td>
<td>2.0</td>
</tr>
<tr>
<td>Shell</td>
<td></td>
<td>2.0</td>
</tr>
<tr>
<td>IBP</td>
<td></td>
<td>1.5</td>
</tr>
<tr>
<td>Pennozoil</td>
<td></td>
<td>1.0</td>
</tr>
<tr>
<td>Others</td>
<td>7</td>
<td>2.5</td>
</tr>
</tbody>
</table>
We can say that Indian lubricant industry recently underwent in a transitional phase, it is gradually becoming a Market driven industry rather than government owned industry.

Hence there is a need to in depth, study requires for reorienting the present marketing strategy applying by various private & Public sector companies producing marketing lubricant's so for these reasons we will cover following areas one by one:

**Marketing :-**
- Market Share
- Customer satisfaction
- Product quality
- Service quality
- Promotion effectiveness
- Brand loyalty
- Advertising effectiveness.

**Finance :-**
- Profit performance
- Financial stability.
- Cost availability of capital.
- Opportunity & Threat analysis
- Demographic area
- Political environment
- Socio cultural
- Customer
- Competitors
- Dealers
- Distributors

Thus this research work aimed at finding the current market situation so that the firm could shape the new marketing strategy to excel the performance of the lubricant industries, so following would be the objectives of this research work

(A) Task Objectives :-
This is also known as major objectives of this research work; following are the task objectives :-

(i) Scanning the external environment of lube industry: - In this research work we have to assess the mega & micro environmental issues of lube industry i.e. Political, Economic policy sociocultural, customers, competitors etc. and finally the Opportunities & Threats associated with these issues.
(ii) Scanning the internal environment
In this objective we include the integral comparison between various lube producing & marketing organization & finally analyse the Strength & Weakness associated with it.

(iii) Formulate an alternative strategy: -
After analysing the various strategical issues in SWOT analysis as per the above objectives, we will have to formulate an alternative marketing strategy which would be best fitted in the current market situation.

For achieving the above mentioned task objectives which are hidden in nature we will have following Operational objectives.

(B) Operational Objectives: - These objectives are practically applied and once these objectives have been covered, on the basis of which the task objectives will automatically be fulfilled. Following are the operational objectives: -

(i) Opportunity & Threats measurement by assessing the
   • Mega environment: - it includes the Political, Economic & Socio-Cultural environment.
   • Micro environment: - it includes the customers, competitors etc.

(ii) Strength & Weakness measurement by assessing the –
   • Attribute measure.
   • Effectiveness measure.
   • Efficiency measure.

(iii) Analyse Strength & Weakness under following heads: -
   • Firms product
   • Distribution Channel
   • Market share
   • Customers needs
   • Pricing policy
   • Sales promotion.

It is a game plan or a blue print on the basis of which this research work is being completed to the final end.

Type of research: - this research work is basically conclusive and exploratory type of research works because in this research we will explore the new insight into the marketing strategy. The main aim of this research work is to analyse the existing marketing strategy applying by various public & private sector involve in lube industry & find out an alternative strategy which suits in the changing scenario of lubricant market.

In this research work we will examine the various aspect of existing & present strategy so that it will explore the alternative way for actions, which will benefit the whole lube industry.

It is also a conclusive research because it has some conclusion for resolving problem, which the lube industry is facing. After testing hypothesis it will reach to some conclusion that is why it is also a conclusive one. It describe the various marketing mix of lube market
and experiment by conducting survey.

Collection of data

For reaching to the final ends in this research work we will collect both types of data i.e. primary & Secondary data.

Secondary data: - It is collected from the following sources:

- Annual reports of various lubricant organizations.
- Internet Sites
- Magazines & news bulletins of various lube producing organisation.
- Price list
- Promotional pamphlets
- Balance sheet, P&L A/C & financial statement of various lube producing organizations
- News Papers
- Journals & Magazines.

Primary data: - For fresh information we will collect primary data in the following way:

- By conducting survey: - The survey is conducted through questionnaire/schedule survey method. In this research work the questionnaire is prepared for customers/ dealers / distributors / separately .
- Customer Survey: In this research work the customer means the owner of two wheelers and four wheelers who uses lube oil regularly.
- Whole seller, Dealer & Distributors: - In this research work wholesaler dealer & distributor surveyed for tracing the current market situation of lube industry so that we can analyse the marketing strategy adopted by various lube organizations.

Sampling area: -

In this research work we use the non probability sampling for the area selection and probability method for customers and dealers & distributors selection we have selected Jabalpur, Sagar & Bhopal cities of M.P. for the area to be surveyed.

Sampling units: -

Customers
34 - Sagar
33 - Jabalpur
33 - Bhopal
Total Customers-100

Dealers & distributors
18 - Sagar
16 - Jabalpur
16 - Sagar

Total Dealer/ distributors - 50
16 from each city.

Data Analysis: After collection of data from primary & secondary sources we will analyse the data for this purposes first of all we will tabulate the inter related data. Then by applying various statistical techniques we will analyse the collected data so in this sense we can say the scientific research for this research work. We use various formulas and statistical techniques for the fact-finding purposes.

The collected data when analysed fruitfully speaks the reality of market.

LIMITATIONS: -

This research work planned in a very efficient and effective manner in which we covered all the dimensions related to the concerned topic and put a whole hearted effort to become this work fruitful for the customers, companies & dealers / distributors and also to the future research activities, though this research work give better result but like all other research work it carries certain limitations find during the research work these are as Follows:

1. Small sample area:

The nature of lube industry is very vast and we have selected 3 cities as a sample area, which is smallest when, compare the whole lube market of the country. So that it may cause some reflection in finding the final conclusion.

II. Time period:

This research work take two years to be completed and during this period lubricant industry changing very fastly due to the change in the crude oil prices (Basic raw material) and the entry or so many other private player in the market causes higher competition, when this research work will published the condition may be changed and finding could not be best titled i.e. 100% to the real life situation.

III. Changing habits of customers:

As we know about the changing nature of human being. What we like today will dislike tomorrow. This tendency of customer plays a very crucial role while tracing the mood of customers as the research work take some time to be completed the answer given by customers during survey might have changed. This may also cause for effective research results.
IV. Environmental changes:

The changes in the political & economic, socio cultural environment may change the whole personality of human beings and the marketing strategy may or may not be best fitted an the major changes in environmental factors.

V. Testing of qualitative factors in quantitative term:

In this research work we analyse the product image brand loyalty promotional effect etc. which are qualitative in nature and it is very difficult task to measure these factors in quantitative manner and It is very hard task to calculate and compose each other in effective manner.

VI. Error effect:

As we know that no research work has given 100% result whether it is scientific or nonscientific and all the scientist accept .5% as error which is known to the error effect.
Research at a glance

Exploratory & Conclusive Research on Lubricant Manufacturing & Marketing Organisations

by conducting

- Literature survey of Various companies
- Private & Public sector Companies

Customers, dealers & Distributors survey in Jub/Sgr./Bpl, cities of M.P.

After collecting data

- Analysis of data
- Testing of Hypothesis
- Graphical presentation
- Conclusions & suggestions
- Formulate an alternative strategic model for lube industries