CHAPTER 1: INTRODUCTION
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Human beings have always been creative, improving and innovating from the dawn of civilization, to solve their problems and improve their way of life. According to several psychologists, the human brain is designed for seeking patterns and solving problems. Modern means of transportation hastened the progress of civilization and increased learning and scientific endeavor. Rapid strides made by the petroleum industry, in petroleum exploration, production and refining to produce premium petroleum fuels and lubricants has been the prime support that has fostered the development of modern transportation.

Innovation has enabled mankind in its continued quest for new and improved solutions to problems in various fields of pure and applied science, technology and social sciences including management studies. On the basis of outcome and their impact on growth, innovations have been categorized by Christensen and Bever (2014) as performance improving innovations – which replace old products with improved products; efficiency innovations innovations – which help provide products and services to customers in a faster, cheaper, more convenient and satisfying manner and market creating innovations – which radically transform complicated, sophisticated and expensive products and services to become accessible to and affordable for consumption by a new class of customers or create a new market altogether, where the demand did not exist earlier.
Highly successful organisations have gained stature, respect, trust and loyalty of society by regularly introducing innovative products and solutions. However, the success rate of new products in the market is poor with an estimated 41 percent of all new products resulting in failures (Barczak et. al. 2009). According to Nielson’s India Breakthrough Innovation Report for 2012, out of 16914 fast moving consumer goods launched in 2012, only 23 qualified as breakthrough innovations on the basis of revenue generation, sustained consumer demand and value proposition.

Firms who have marketed their innovative solutions better than their rivals have often won in the market even with somewhat inferior products compared to their rivals. Marketing of Innovations is a therefore prime tool for maintaining sustainable competitive advantage for organisations. In the current hyper competitive, volatile, uncertain, complex and ambiguous environment, it is all the more imperative for marketers to rise above and continually stay ahead of competition by exploring, educating, engaging potential customers and by endeavouring to enrich customer experience with conveniently accessible and innovative value added solutions.

Consumers actively share their experience with others through word of mouth and in recent times, increasingly through online and social media. This enhances diffusion of innovation in the target segment and is a great opportunity for marketers in proliferating awareness amongst prospective consumers and invoking a desire in them for trial usage.
1.1 **RESEARCH MOTIVATION**

This research has been motivated by the professional marketing practice of the researcher, in launch of new categories of lubricants, aimed at different target customer segments for varied applications, creation of consumer awareness and initiation of innovative approaches to handhold the consumer to nudge them to initiate trials, enhance their experience, establish efficacy and superiority of the new innovative solution compared to usage of legacy solutions and nurture eagerness within them to offer themselves for brand advocacy, willingly spread action oriented word of mouth publicity, instill trust and faith in the new solution amongst consumers to ensure a wholehearted switch and stickiness amongst a large consumer base.

The general attributes of individual consumers with respect to this low involvement product category, lead them to rely heavily on influential persons in the marketplace. In the background of prevalence of these behavioural conditions amongst a large proportion of vehicle users, the impact of marketing strategies undertaken by lubricants marketers on adoption and usage of the new innovative product category synthetic lubricant forms a highly interesting topic of study.

The research is of great socio-economic importance as it intends to:

- Have a better understanding of consumer behaviour with respect to adoption and usage of a new innovative and cost effective product,
• Understand effectiveness of various capital intensive marketing initiatives undertaken by marketers to promote new products and

• Understand the various marketplace influence dynamics at play, which either distort or reinforce marketing communications of marketers to effectively influence consumers favourably or unfavourably in their informed choice of new product adoption and usage.

After these few opening remarks, this chapter proceeds with some background information on motor vehicle industry focused on the two-wheelers and lubricant industry focused on lubricants for two-wheelers. An overview of marketing strategies is discussed thereafter. Channel and promotion strategies adopted by lubricant marketing companies are discussed next followed by the final section of this chapter namely, research problem statement.

The research flows through Literature Review in chapter 2 which culminates in identifying research gaps and then moves on to developing Objectives and sets of Hypotheses in chapter 3. This is followed by chapter 4 which provides details on Research Methodology adopted in this research study. Data Analysis is presented next in chapter 5 which leads us to Findings, Conclusions and Future Research in chapter 6. Appendices are presented at the end, wherein listing of all publications referred to, is provided in the Bibliography, Questionnaires used in this research, Specifications of lubricants, Summary of research flow with detailed results and relevant research publications by this researcher are provided.
1.2 MOTOR VEHICLES

The motor vehicle or automobile industry developed in the early twentieth century in Europe and USA. The Indian automobile industry has witnessed rapid growth in production capacity along with modernization since the mid-nineties. India is now a significant player in the world market, with manufacturing bases and export hubs of many multinational vehicle manufacturing companies. The Indian automobile production, domestic sales and export volumes and growth in India is given in Tables 1.1.

Table 1.1 Automobile Industry in India

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<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>Volume</td>
<td>Growth</td>
<td>Volume</td>
</tr>
<tr>
<td>Passenger Vehicles</td>
<td>32.20</td>
<td>4.28%</td>
<td>26.01</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>6.97</td>
<td>-0.28%</td>
<td>6.15</td>
</tr>
<tr>
<td>Three Wheelers</td>
<td>9.49</td>
<td>14.33%</td>
<td>5.32</td>
</tr>
<tr>
<td>Two-Wheelers</td>
<td>185.00</td>
<td>9.58%</td>
<td>160.04</td>
</tr>
<tr>
<td>Grand Total</td>
<td>233.66</td>
<td>8.68%</td>
<td>197.52</td>
</tr>
</tbody>
</table>

Source: Society of Indian Automotive Manufacturers (2015)

The above table highlights the importance of the two-wheeler category, as it shows the highest volumes of production, sales and exports.
1.2.1 TWO-WHEELER MOTOR VEHICLES

Motor vehicle is a vehicle, self-propelled by an engine, which is normally used for transportation of people and goods on road. Based on the size and end-use, motor vehicles are categorized by the Motor Vehicles Department of the state of Maharashtra as two-wheelers, and 18 other categories which include autorickshaws, cars, jeeps, trucks, buses and others.

Two-wheelers include motorcycles, scooters and mopeds. Motorcycle is a two-wheeled vehicle mounted with a petroleum fueled internal combustion engine for self-propulsion. They were first commercially developed in 1894 by Heinrich Hildebrand, Wilhelm Hildeberg and Alois Wolfmüller in Germany. They are of two types, one for riding on road and the other for riding off-road. Within both these types, there are several sub-types based the engine power and on the end-use of either regular commuting on road or for sports, both on and off road. Motorcycles are used in India and other developing countries overwhelmingly as a utility vehicle for personal mobility, whereas in developed countries, they are used primarily as a recreational vehicle.

A scooter is a two-wheeler motor vehicle having a step through frame with a platform at the base of the step through area for the driver’s feet. The engine and drive systems are housed beneath the seat and attached to the rear axle.

Moped is a compact low powered, slow speed, economical two-wheeler vehicle, often gearless, with a step-through design.
Two-wheelers are powered by petrol engines of two types, 2-stroke and 4-stroke. A two-stroke, or two-cycle, engine is a type of internal combustion engine in which the power stroke is achieved in only one revolution of the crankshaft, with two strokes, or up and down movements, of the piston in comparison to a four-stroke engine, which uses four strokes. This is done by combining the combustion stroke and the compression stroke into one stroke and combining the intake and exhaust strokes into another common stroke. Production of two-wheelers used for general commuting purpose has gradually shifted from those powered by 2-stroke engines to 4-stroke engines, due to better fuel efficiency and ability to meet emission norms while two-wheelers with two-stroke petrol engines have been phased out. An overwhelming majority of two-wheeler motor vehicles currently on road in India are those powered by 4-stroke petrol engines.

Engine oils for four-stroke engines, popularly called 4T oils form a distinct category of oils. These are different from those used in engines of petrol driven cars, as in the case of motorcycles the same lubricant is used to lubricate the clutch as well as the gear in addition to lubricating the crankcase. Motorcycles require high friction type engine oil, while scooters require low friction engine oils as the oil lubricates only the engine. Friction modifiers are therefore used to in scooter engine oils, which results in improvement of fuel economy. Out of the total lubricants required for two-wheelers, engine oils constitute around 95% while front fork oils, rear suspension oils and greases constitute the remaining 5%.
1.2.2 TWO-WHEELER MARKET IN INDIA

Two-wheelers are the single largest category of motor vehicles in India commanding an overwhelming market share of 81% in the year 2014-2015, whereas that of other categories are passenger vehicles at 13%, commercial vehicles at 3% and three-wheelers at 3%, as given in Figure 1.1 below.

**Figure 1.1 Vehicle Market Share in India in 2014-2015**

![Vehicle Market Share in India](image)

Source: Society of Indian Automotive Manufacturers (2015)

The sales trend of two-wheelers in India is given in Figure 1.2 below.

**Figure 1.2 Sales Trend of Two-wheelers in India**

![Sales Trend of Two-wheelers in India](image)

Source: Society of Indian Automotive Manufacturers (2015)
The above sales result in net annual additions of 8 to 9 million units, considering gradual scrapping of old unserviceable vehicles. Based on these data, the two-wheeler population in India, is estimated at 87.7 million units in 2015, and is expected to reach 236.4 million units in 2035. Such rapid growth will make India the largest market for two-wheelers in the world within the next 15 to 20 years.

The large market has attracted most major global two-wheeler brands to India, which along with home grown brands have transformed the country into a major manufacturing hub. The leading brands marketing two-wheelers in India are Hero MotoCorp, Bajaj Auto, TVS Motors, Enfield, Honda, Yamaha, Kawasaki, Suzuki, Piaggio, KTM and Harley-Davidson. The most popular range of engine cubic capacity (cc) is between 100cc to 250cc. Whereas an overwhelming majority of two-wheelers are designed for commuting, a few sports and cruiser models have also been introduced, which are very few in number. This large vehicle population has created a huge demand for lubricants, specially meeting the unique needs of two-wheeler engines.

This research study will concentrate on users of such two-wheeler vehicles, in the categories of motor cycles, scooters and moped, used for general on-road commuting purpose, which are powered by 4-stroke petrol engines and whose engines are lubricated by 4T oils. The target vehicle category therefore comprises of vehicles of a wide range of engine capacity, power and performance standards.
1.3 LUBRICANTS

The process of reduction of friction between moving surfaces is lubrication and any substance that does so, is a lubricant. Vegetable oils and animal fats found usage as lubricants in early ages. Water is also a natural lubricant in certain limited applications. For modern automotive application, lubricants are liquid, viscous petroleum based substances used in machines, primarily to reduce friction between moving or sliding parts, cool engines, clean engines, reduce wear and tear, protect against rust and corrosion, seal lubricated surfaces, maintain peak performance and prolong useful life of the machine.

Lubricants are categorized according to their major component as follows:

- **Mineral oil based lubricants**: Lubricants manufactured from mineral lubricants base oils, which are the heavy end products of refining natural crude petroleum. These are the most widely used conventional lubricants.

- **Synthetic lubricants**: Synthetic lubricants are high performance lubricants, which are either artificially made from chemical compounds such as polyalphaolefins (PAO), esters, and polyalkylene glycols (PAG) or manufactured by chemical modification of petroleum components.

- **Semi-synthetic Lubricants**: Semi synthetic lubricants are blends of the above two categories with at least 30% of synthetic, first developed in 1966. They often meet the superior performance levels of synthetic lubricants and are therefore included within the broad category of synthetic lubricants.
1.3.1 LUBRICANT BASE OILS

Lubricants are made from lubricant base oils, which have been categorized by American Petroleum Institute (API), as follows:

Figure 1.3 Lubricant Base Oil Groups

<table>
<thead>
<tr>
<th>API BASE OIL CATEGORIES</th>
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<tbody>
<tr>
<td>Base Oil Category</td>
</tr>
<tr>
<td>Group I (solvent refined)</td>
</tr>
<tr>
<td>Group II (hydrotreated)</td>
</tr>
<tr>
<td>Group III (hydrocracked)</td>
</tr>
<tr>
<td>Group IV</td>
</tr>
<tr>
<td>Group V</td>
</tr>
</tbody>
</table>


Sulphur is an impurity in oil, presence of which is controlled. Saturates are resistant to oxidation at high temperatures, hence a higher percentage of saturates is preferred in lubricants. Viscosity Index (VI) is the measure of stability of viscosity with change in temperature, viscosity being a measure of its resistance to gradual deformation by shear stress or tensile stress and corresponds to the concept of thickness and to the concept of resistance to flow. A higher measure of VI indicates lesser change in viscosity with a given change in temperature or in other words lesser thinning of oil at high temperatures and hence a high value of VI is preferred in lubricants.
1.3.2 SYNTHETIC LUBRICANTS

Synthetic lubricant is made from Group IV and Group V synthetic base stocks and also by chemical modification of Group III mineral lubricant base oils and blending it with performance enhancing chemical additives. They are greatly superior to mineral oil based lubricants, by being free of impurities and having a molecular structure that facilitates flow and reduces frictional loss. Their technical advantages include better low and high temperature viscosity performance, better chemical & shear stability, decreased evaporative loss, resistance to oxidation, decreased thermal breakdown, decreased oil sludge problems, extended drain intervals, environmental benefit of less oil waste, improved fuel economy, longer engine life, superior protection against deposit formation in engine, reduced chances of damaging oil passageway, clogging and increased horsepower and torque due to less initial drag on engine.

Synthetic lubricants are produced out of expensive components and high technology production processes. Hence they are generally much more expensive than conventional mineral oil based lubricants. Semi-synthetic lubricants are designed to have most of the benefits of synthetic lubricants and are produced at a much lower cost than fully synthetic lubricants. The term synthetic lubricant, used in lubricants industry parlance, commonly refers to and includes both fully synthetic lubricants and semi-synthetic lubricants. This study will also follow the same standard understanding while referring to the term synthetic lubricants. Mineral oil-based lubricants are the most widely used type of lubricant and they are much cheaper than the above two.
1.3.3 LUBRICANTS MARKET

According to the report of ‘Research and Markets’ titled “Global Lubricants (Mineral Oil Lubricants, Synthetic Lubricants, Bio-based Lubricants, and Greases) Market - Trends & Forecasts to 2019” the global lubricants market volume in 2013 was 38 million MT and is estimated to grow at a CAGR of 2.1% only by volume during 2014 to 2019. The reasons for slow growth are use of high performance oils, saturation in automobiles in developed markets and lower emission norms for industries and automobiles.

According to Grand View Research Inc., the global market for synthetic lubricants was 0.68 million MT in 2013, which is expected to grow at a CAGR of 2.9% between 2014 and 2020 to reach a volume of 0.82 million MT by 2020. Synthetic lubricants are therefore expected to grow at a much faster pace than conventional mineral oil based lubricants. This hugely positive outlook for synthetic lubricants is fueled by:

- Expectation of strong growth in automobile industry in large developing economies like China, India and Brazil,
- Vehicle manufacturers, known as Original Equipment Manufacturers or OEMs in lubricants industry parlance are upgrading their recommendation from conventional mineral based lubricants to synthetic lubricants and endorsing the efficacy of synthetic lubricants and
- Promotional campaigns by lubricants marketers are increasing awareness of benefits of synthetic lubricants in terms of engine performance.
Indian lubricants market is the fifth largest in the world after USA, China, Russia and Japan. The Indian lubricant market size is estimated at 2 million MT per annum in volume and over Rs. 240 billion in value. It is one of the fastest growing lubricant markets in the world with an annual growth rate of 3 to 5%. Given the stagnating or negative growth rates in developed countries, growth rate in India is comparatively high due to increasing usage of automotive transportation, high growth rate of rural demand, increasing industrial production and capital expenditure on infrastructure development.

The lubricant industry in India was decontrolled in 1993 which led to entry of global giants of the industry to rush to India to seize a share in the large growing market. There are now a large number of lubricant marketing companies operating in the Indian market. However, inspite of the onslaught of global players, the industry continues to be dominated by the three major public sector undertakings with their brands namely Indian Oil Corporation Limited, with its brand – Servo Lubricants, Hindustan Petroleum Corporation Limited, with its brand – HP Lubricants and Bharat Petroleum Corporation Limited, with its brand – MAK Lubricants, who have together cornered over half of the market volume. Major portion of the remaining share of the organized lubricants industry is captured by multinationals like BP Castrol, Exxon-Mobil, Total-Fina-Elf, Tide Water Oil, Shell, Gulf, Valvoline and many other minor players. The above mentioned three public sector undertakings and BP Castrol together command a market share of over 80% in India. Whereas Indian Oil dominates the lubricants industry with a market
share estimated at 40%, Castrol dominates the automotive lubricant market with an estimated market share of 19%. Automotive lubricants constitutes an estimated 55% of the total lubricants market in India, which is again bifurcated into sales from fuel stations of public sector oil majors, which are commonly called petrol pumps and bazaar segment comprising of other shops and workshops selling lubricants. Private sector lubricants marketers dominate the bazaar segment with an estimated 75% market share.

Synthetic lubricants brands for two-wheelers were commercially launched in India gradually over the last 10 years and they continue to remain in the introduction stage of product life cycle. Independently verifiable figures of consumption volumes of synthetic lubricants are not available in India. However it is estimated that synthetic lubricants have cornered around 5% of the automotive lubricant market by volume, which translates to around 10% of the automotive lubricant market by value in India. Synthetic lubricants have been growing by over 5% annually in India, fueled by introduction of latest generation high performance vehicles in the Indian market.

All these major lubricants marketers have also introduced synthetic lubricants in the Indian market. Some of the major brands of synthetic lubricants for two-wheelers being marketed in India are:

Semi-synthetic Lubricants – Castrol Activ 4T 10w30, Servo 4T Synth, MAK 4T NXT, Shell AX7 10w40, Mobil Extra 4T 10W-40, Veedol super swift 10w40, Valvoline 4T Premium 20w50, Gulf Pride 4T Plus 10w-30, Total Quartz 7000 10w40, Motul 5100 15w50, Petronas Syntium Moto 4 Sx SM 15w50, TVS TRU4 Premium 10w30.

Lubricants for two-wheelers are expected to conform to various industry-wide accepted specifications. The most common amongst them are those declared by the American Petroleum Institute (API) and Japanese Automotive Standards Organization (JASO).

API defines specifications for 4T oils in terms of performance requirements. These are denoted as: API SH, API SJ, API SL, API SM and API SN in the order of increasing superiority.

JASO, the most reputed body prescribing specifications for wet clutch application in 4 stroke two-wheeler engines, defines specifications comprising of performance specifications, physical and chemical properties and frictional characteristics, under JASO T903 standards. Their MA specification oil is for high friction application in motorcycles while MB specification oil is for low friction application in scooters.

The above mentioned specifications are given in Appendix – V.
1.4 MARKETING STRATEGIES

Marketing Strategies according to Kotler (1993), “comprises the broad principles by which marketing management expects to achieve its business and marketing objectives in a target market. It consists of basic decisions on marketing expenditures, marketing mix and marketing allocation”. Business and marketing objectives fall within the realm of strategic management, whereas the target market is a domain shared by both these domains. Formulation of marketing strategies takes off after strategic management objectives of the firm are decided and goes about deciding the ways and means to achieve these objectives within the set timelines.

Target market is arrived at after an in-depth understanding of the total available market and segmenting it based on the types of needs and ways by which the needs are met or problems are solved, coupled with matching capabilities of the firm to service needs of these market segments.

Marketing mix refers to the set of marketing tools that a firm chooses at varying extents in order to achieve its marketing objectives. The most popular four factor tool of marketing mix is called the 4Ps of marketing: product, price, place and promotion. The 4Ps model of marketing mix has been the mainstay of marketing management studies for long. In the recent past an interesting action oriented variation of the concept has been formulated by Ettenson et. al. (2013), called the SAVE model, which stands for solution, access, value and education.
An important component of marketing strategy is the concept of positioning which incorporates all elements of marketing mix. Kotler (1993) defines positioning as “the act of designing the company’s offer so that it occupies a distinct and valued place in the target customer’s minds”.

The concept of positioning is further aided by the concept of brand. The latter is more physical and visible in its presence, leading to generation of perceptions in the customer’s mind, where the brand takes a relative position. Additionally brand is supported by all components of the marketing mix to create the positioning of a brand in the customer’s mind.

Brand, according to Kotler (1993) includes “a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or a group of sellers and to differentiate them from those of competitors”.

Brand enables marketers to offer a bundle of consistent features to customers, who in turn perceive having received consumer utilities of significant value. It therefore helps marketers to attract and retain customers. It enables marketers to retain their intellectual property rights. A successful brand generates loyalty amongst its customers, who are willing to pay a premium over competition. This goodwill for the brand results in creation of an intangible asset for the firm and a valuation is ascribed to a brand, based on the premium revenue it generates.
1.4.1 PRODUCT STRATEGIES

A product refers to a tangible or intangible offering to satisfy a need. A product and a service are viewed as being the tangible and intangible objects respectively, which are often clubbed together to be broadly referred to as product. They may be distinct in their offer or they may be a combined offer, wherein both are components of varying degrees in the final offering. Whereas a product is created to satisfy a need of the customer, marketers should avoid the fallacy of what Levitt (1960) calls marketing myopia by concentrating on the product and not the customer’s need.

Product strategies encompass designing, introducing, modifying and ultimately withdrawing products from marketing, in consonance with customers’ needs and positioning strategy of the marketer. Product features which can be tweaked according to need are design, conformance to specifications, variety, size and packaging. In case of durables, they may also include warranty, erection and commissioning service, maintenance service, return and disposal service.

Managing a product over lifecycle phases of introduction, growth, maturity and decline is an integral area in product strategy. A product may have to undergo variations in positioning, features, pricing and promotion at various stages of its lifecycle in order to continue to be preferred by customers.
1.4.2 PRICING STRATEGIES

Pricing of a product is a crucial marketing decision, which needs to recognize the brand valuation, positioning, target customer perception, competitor prices and the target margins desired.

The perception of high prices positively correlates with premium quality and is also a differentiator in customer perceptions associated around novelty, prestige, status symbolism and exhibitionism.

The main factors for pricing are:

- pricing objectives, like market penetration, market skimming, revenue maximization, profit maximization, sales volume maximization,
- demand, depending on price elasticity,
- costs, depending on extent of leveraging capital structure, contribution, scale of production, learning curve,
- competitors’ prices, depending on relative positioning and
- pricing method, like markup, target return, perceived value, market rate, sealed-bids, psychological pricing and so on.

Intermittent pricing strategies to promote products make use of additional premium pricing during launch of prestigious goods whereas cash discounts, quantity discounts, seasonal discounts, and trade discounts are used to garner additional sales volumes, market share, gross revenue and clear built up inventories.
1.4.3 CHANNEL STRATEGIES

The third P in the marketing mix is Place or distribution, also called distribution channels or just channels. Marketing channels enable marketers to reach their end-customers with their offerings through intermediaries called channel partners. Channel partners may be merchant intermediaries at multiple levels like wholesalers, stockists, distributors, dealers and retailers, who buy, hold inventory and resell or they may be agent intermediaries like brokers, agents and representatives who secure sales on behalf of the parent firm.

Channel decisions are critical as they create long term commitments for firms. The channel structure affects all the other factors of marketing mix, based on the aspired positioning strategy of firms. Producers use marketing intermediaries to overcome constraints of financial resources in setting up an extensive retailer network to reach out to end customers. Marketing intermediaries impart greater efficiency in enabling producers to reach out to customers by their geographic dispersal, specialization, experience, contacts and scale of operations, in moving goods through time, space and possession gaps. Additionally they contribute to flow of information, promotion, negotiation, ordering, financing, risk taking, physical possession and title.

Marketing channels are characterized by several levels and various categories. Zero level channels indicate direct sale by firms to end customers, using its own sales force or marketing and sales agents. These are also referred to as direct channel. Industrial sales normally follow the direct channel route.
One level channel is characterized by presence of dealers between producers and customers. Automobile dealers and fuel stations or petrol pumps are this single layer intermediary between automobile companies and petroleum marketing companies and their end-customers. These dealers generally deal exclusively with a marketing firm.

Multi-level channel is prevalent in consumer goods and consumer durables industries with intermediaries like wholesalers, stockists, distributors and retailers. More often than not, higher level intermediaries, also called channel partners, have exclusive tie-up arrangement with marketers for a product range and enjoy exclusive territorial jurisdiction for distribution.

OEM channel is another type of channel between a producer and its customers, through a layer of another producer, called original equipment manufacturer. This channel is used by producers of components who reach their customers through assemblers or aggregators.

Newer channels like online channel for sales by order booking through website or mobile phone application followed by order fulfillment by direct delivery to the customer, are taking shape and their volumes are progressing at a rapid pace, threatening brick and mortar stores. Telemarketing is another channel of order generation from customers over telephone, followed by order fulfillment in the manner similar to online channel.
1.4.4 PROMOTION STRATEGIES

Promotion involves appropriate communication to the target market in a convincing manner so as to arouse an interest in them to be positively disposed towards the brand offering. According to Quelch (1983) promotion enables marketers “to attract price-sensitive, less brand-loyal consumers”.

Identifying the target audience and enabling most economical and effective communication to fulfill communication objectives are important strategic areas in promotions. Appropriate designing of the message format, content and structure to be convincing are of great importance. Communication with the target audience is achieved through four tools of promotion mix or communication mix, namely advertisement, sales promotion, public relations and personal selling. Advertisement is called above the line promotion, while sales promotion is called below the line promotion.

Advertisement encompasses paid mass communication in a non-personal and non-obtrusive manner, directed towards the target audience in general through print media like newspapers, magazines, pamphlets, brochures; outdoor media like hoardings, signboards, gateways, gantries, banners, posters, wall paintings; electronic media like television and radio; entertainment media like cinema, concerts, circus, sports arena and online media like websites and social media mobile applications. It provides opportunities to capture attention, liking, recall and preference for a brand, product or firm by dramatizing benefits.
Sales promotion refers to using short term incentives to educate, demonstrate and entice sales. It makes use of trade shows, fairs, samples, trials, gifts, lucky draws and discounts. These short term campaigns achieve greater focus and intensity, than advertisement, in engaging the target audience. Sales promotion forms an important vehicle for on ground promotion of products at various lifecycle stages. They can boost awareness and trials for new introductions as well as renew interest in mature and declining stages of products. Sales generated as a result of such campaigns can be better identified and inferred.

Public relations are programmes like press conferences, seminars, sponsorships, social and charitable activities, publications, annual reports, positive unpaid mentions in media and lobbying. These tools are used to subtly generate positive disposition of the target audience, often with significantly more objectivity and credibility.

Personal selling involves engaging with the target audience in person, through sales presentations, meetings, demonstrations or over telephone. Personal selling is characterized by the greatest engagement levels, providing opportunities for better clarification of all aspects of the offering and the highest proportion of successful culmination into making a sale. It facilitates development of personal rapport and evokes sense of obligation, which increases chances of making a sale.
1.5 CHANNEL STRATEGIES OF LUBRICANTS MARKETERS

Lubricants marketers in India pursue a variety of channel strategies to reach end-customers with their goods and services. Lubricant marketing is achieved almost solely through physical channels. Lubricants have been made available at every nook and corner of India including the most remote areas, wherever there is presence of vehicles and machines. Virtual or electronic channels through electronic commerce are yet to make inroads.

Physical flows of the product originate in the channel from lubricant oil blending plants where lubricants are manufactured. Thereafter, it flows to customers through various levels of storage locations of the firm or its channel partners like lubricant warehouses, clearing and forwarding agents, wholesalers, stockists, distributors and dealers.

The industry caters to diverse categories of customers like individual vehicle owners, commercial vehicle fleet operators, agricultural equipment owners, owners of boats, trawlers, ships; large, medium, small and micro industries and government institutions like railways and armed forces having different purchase behaviour and needs. Different channels are therefore made use of, by lubricants marketers, to serve different categories of customers in the most effective manner. The industry does not have any differentiated channel strategy for marketing synthetic lubricants and all channels have access to these. The various channels are discussed in detail in the subsequent sections.
1.5.1 DIRECT CHANNEL

Direct channel is the zero level channel, where lubricant companies sell directly to customers, without the product passing through any merchant intermediary. Customers targeted by this channel are large and medium industries, shipping companies, airlines, large commercial fleet operators and government institutions like railways and armed forces.

These customers need large quantities of lubricants, involving high volume transportation in truckloads, within short delivery periods. The mode of purchase is often competitive bidding through sealed tenders. As high volumes are at stake, lubricant companies offer heavy discounts to win tenders. This leaves wafer thin margins at the hands of lubricants companies. These customers also dictate extended credit periods of 30 days or more. These customers also require very specialized technical services to advise them on optimum lubrication solutions for their complex and expensive equipment. It also requires regular interaction with senior level officials in the customers’ organisations. The above requirements are beyond the capabilities of merchant intermediaries. Hence lubricants markets have chosen to reach these customers themselves directly.

Agent intermediaries like sales agents are often used to service this channel by way of collection of orders, coordinating deliveries as per schedule, collection of payments and general liaison to ensure smooth functioning of business relations.
1.5.2 AUTHORISED SERVICE STATION CHANNEL

A wide presence of authorised service network has been identified by vehicle manufacturers as a prime means to instill confidence in their brand. Accordingly they encourage their dealers to open multiple authorised service stations closer to their customers and even in small towns.

The maintenance services carried out at these service stations are as per the vehicle manufacturing company’s standards and only genuine, approved and recommended spare parts are stipulated to be used. Hence almost 100% of the initial few free servicing offers of vehicle manufacturers are availed by customers at these service stations. Thereafter, for carrying out periodic paid servicing, the visits of customers decrease. However, for carrying out major engine and gear box maintenance, customers prefer authorised service stations, over independent workshops. It is due to these reasons that the volume of lubricants consumed at authorised service stations is large.

Vehicle manufacturing companies have techno-commercial tie-ups with lubricants marketing companies for production and sale of genuine, co-branded like HP Bajaj DTS-I 10000, approved or recommended grades of lubricants like Hero 4T Plus, Honda Genuine Engine Oil and TVS TRU4 Premium. Often tie-ups exist with multiple brands of lubricants. Only such approved lubricants grades at sold through this channel of authorised service stations. They are often supplied by the company directly or at times through their distributors.
1.5.3 RETAIL CHANNEL

The three public sector oil marketing companies namely, Indian Oil Corporation, Bharat Petroleum and Hindustan Petroleum dominate marketing of automotive fuels in India through a network of an estimated 51,000 fuel stations which are called retail outlets in the oil industry, but commonly referred to as petrol pumps. These companies market their own brand of lubricants through these retail outlets. This channel is called retail channel. Supplies to the channel are made either directly by companies or through a first level intermediary, who stocks and resells to these outlets. This was earlier the only channel for retail sales of lubricants, till the industry was decontrolled and private players were allowed access to the market in 1991.

A few private sector oil companies namely, Reliance, Essar and Shell have also opened a few fuel stations, through which they sell lubricants. Shell sells its own brand of lubricants, Reliance sells its own brand as well as Castrol, while Essar sells Servo brand lubricants.

This is a major channel owing to its wide network, convenience in accessibility and familiarity due to regular visits of customers for fueling their vehicles. Although sale through this channel has witnessed some decline, the slide has since been halted by launching a slew of marketing initiatives, which are discussed in a later section on promotions.
1.5.4 RESELLER CHANNEL

This channel comprises of stockists, distributors, automobile spare-parts shops, multi brand lubricants shops and exclusive brand lubricants shops. After decontrol of the economy, this channel has mushroomed with the entry of a plethora of private sector lubricants marketers of varied sizes. It is estimated that there are over 30 major lubricants players in the Indian automotive lubricants market. As the traditional fuel station channel was not available to these companies, they have developed their distribution network in this channel and have reached closer to customers.

The mainstay of this channel is the distributor. Exclusive territorial jurisdiction is normally allocated to distributors. Alternate arrangements based on exclusive product range or end customer segmentation is also sometimes resorted to. Distinction on product range is made to enable multiple distributors to operate in a territory by segmentation on industrial lubricants grades, agricultural pump-set grades and original equipment manufacturers grades. The segmentation of end customers is also either in line with product range segmentation or additionally, commercial vehicle fleet operators, small industries, vehicle manufacturing company’s dealers and so on.

The distributors take title, hold inventory, arrange onward logistics and sell lubricants to shops. The distributors are replenished from the company’s lubricant blending plant or lubricant depot or a clearing and forwarding agent. They have their own sales force and delivery vehicles to facilitate sales.
They supply to a wide variety of retailers, who may sell lubricants exclusively or along with other automobile spare parts. An overwhelming majority of them stock and sell products of multiple brands, whereas a miniscule of them sell a particular brand exclusively. The retailers are catered by multiple distributors of multiple brands. The market is therefore hypercompetitive for distributors to capture orders from retailers. Distributors therefore undertake various promotional interventions along with their principal company to boost sales, which is discussed in a later section on promotion.

There are various categories of shops selling lubricants. A niche variety is exclusive brand lubricant shops, which stock, promote and sell only one particular brand of lubricants. Marketers carry out exemplary branding at such outlets to highlight their premium stature. Marketers sometimes pay site rentals to promote them. The next category is shops selling only lubricants, but of multiple brands. These enjoy better customer attraction in view of their high assortment stocking capability. A further category is shops selling lubricants along with other automotive spare-parts, which are frequented by customers who seek products of both categories, required for maintenance and repair of vehicles. These shops are patronized by mechanics, who purchase lubricants as well as spare-parts for vehicle repairs at their independent workshops. The distributors feel challenged in this channel, as the owners of these shops treat lubricants indifferently as they earn much more margins by selling automotive spare-parts.
1.5.5 WORKSHOP CHANNEL

Lubricants are normally purchased and filled in vehicle engine sumps at the time of maintenance service at workshops. Some large sized independent workshops buy, stock and sell lubricants themselves, along with carrying out maintenance work. They do so as they are in a position to influence their customers to purchase lubricants from them.

This channel is the most unorganized channel in India, as they often operate from makeshift premises, in conditions of poor ambience and without proper documentation. They are often set up and owned by trained and experienced mechanics, caught by the bug of entrepreneurship. They provide fast, inexpensive and adequate quality of personalized service in presence of the vehicle owner. They are therefore often preferred over authorized service stations. Aided by their low capital cost structure and wide customer patronage, they have grown in numbers at a scorching pace. This channel is characterized by high volume of lubricating oil change business.

The growth of this channel has also attracted the organized corporate entities, which have set up chains of their own brand of workshops for multi-brand vehicles. They are professionally managed and by virtue of their high concentrated volumes of lubricants usage, they are able to procure lubricants from lubricants marketers at bargain prices.

This channel commands tremendous influence over customers and is both a major challenge as well as opportunity for lubricants marketers.
1.6 PROMOTION STRATEGIES OF LUBRICANTS MARKETERS

A study of the lubricant industry under the Porter’s Five Forces model for competition reveals a very high level of inter-firm rivalry, coupled with high bargaining power of customers, high bargaining power of suppliers and quite low barriers to entry, with the only respite coming from negligible threat of substitution. The inter-firm rivalry is characterized by the presence of a handful of major players and a large number of fringe players.

The major players are continually finding their market share being snipped at and chipped away by fringe players who flood the price sensitive Indian market with cheaper and lower performance level lubricants. Major players are therefore bogged down to protect their flanks against these attacks while simultaneously strategizing for launch of premium products with skimming pricing for targeting niche segments.

Under the above conditions of hyper-competition, lubricants marketers have unleashed a slew of market promotion mix tools to aid brand preference with the intention of capturing long term customer value. However, as lubricants constitute a low involvement category product, much of the promotional investments are likely to get lost in clutter. The industry does not have any differentiated or exclusive promotion strategy for synthetic lubricants. Advertisements and sales promotions focused on customer segments rather than product category segments.

The primary strategies used are discussed in the following sections.
1.6.1 ABOVE THE LINE PROMOTION STRATEGIES

Most major lubricant companies have used the electronic, print, in-store and outdoor media to promote their brand.

They have adopted the strategy of campaigns on television and radio over multiple time periods of few weeks at a stretch followed up again with a few weeks and in multiple time slots through the day over short durations of 10 to 15 seconds each. The preferred channels of television are satellite broadcast news, entertainment and sports channels, while the preferred channel on radio is the frequency modulation (FM) channel. These channels are chosen in view of their popularity covering various categories of audience.

The television picturisation and theme covered topics ranging from animated depiction of functionality based benefits derived, endorsement by mechanics, who are influencers in purchase of lubricants to abstract depiction of feelings based on benefits derived from usage. FM content ranged from straight jacket information proclamation to depiction of comic problematic situations resolved by the brand.

Amongst print media, daily newspapers has witness few paid advertisements. There have been declarations of financial performance and notices invited for distributorship and dealership, which have been used to incorporate promotional messages in a subtle manner. Sports pages also contained sponsored sections, where the brand got prominence.
The preferred print media was general news magazines, sports magazines and trade magazines and journals. They carried attractive artwork of the lubricant packages, vehicles and the endorsing celebrities. Indian Oil, Bharat Petroleum, Castrol and Gulf Lubricants have used celebrity endorsement by Indian test cricketers and Hindi movie actors to create a rub off effect of the celebrity’s endorsement to add credibility, enhance brand connect and aid brand recall.

In-store displays at point of purchase are crucial in their ability to cause a spur of the moment switch to a competitor brand from amongst an assortment of brands, given an attractive setup. Lubricants marketers have used attractive counter top stands to display lubricants packs at eye level of customers, branded display racks to highlight their brand, shelf glorifiers to make their packs stand out prominently and have chosen the best visibility shelf to drive their merchandising interventions. Merchandising and display competition covering both attractiveness and quantity of display are periodically conducted by lubricants marketers around the peak season, post monsoons. This is often coupled with illumination competition. In-store posters depicting their brand ambassadors are strategically displayed, as are informative leaflets conveniently placed in leaflets display stands on sales counter tops. The lubricant stores are branded with signboards sporting the company’s brand. These strategies have been largely successful in nudging customers to prefer their brand over competition, as the category is characterized by low involvement, low thinking and very low feeling in deciding on a brand.
Outdoor media is by far the most used advertisement tool by lubricants marketers. The public sector companies have petrol pumps as their captive channel, where hoardings, billboards, banners, posters and standees are prominently displayed with lubricants advertisement in the forecourt area. Manual painting of walls, pillars, posts and shutters with lubricant advertisement had been the most proliferated media till a few years back, in view of the relative low costs and ability to meaningfully cover target areas in the vicinity of automobile workshops. This has now given way to flex printed outdoor advertisements, as these are much more elegant and are now available at a much reduced prices nearly comparable with the cost of manual wall paintings.

Flex and vinyl banners and signages has changed the face of outdoor advertising. The benefits of mass printing with consistency in quality compared to hand painted advertisements, has given fillip to this new industry, which in turn has helped lubricants marketers to promote their brand better.

Although glow signboards are put up at stores by lubricants marketers, elaborate neon signage, with flashy changing displays have not yet been used, as lubricants are primarily sold during daytime and sales are negligible after late evenings, since workshops normally do not remain open much longer past sunset.
1.6.2 BELOW THE LINE PROMOTION STRATEGIES

Extensive sales promotion campaigns are carried out by lubricants marketers in the market place, trade fairs, outlets, workshops and customer premises to boost their brand equity and achieve quick spurts in sales, with the expectation of residual brand recall and stickiness to achieve repeat sales.

Lubricant companies have been prominent at major trade fairs, auto exhibitions, industrial expositions and rural agricultural fairs to showcase their products, disseminate information and generate interest for their brand. They have also organized road shows on similar lines at prominent marketplaces.

They conduct seminars for industrial customers to educate production and technical personnel of industries on technical properties of various grades of industrial lubricants, the functions performed by them, choice of the right grade of lubricant for operation of different machinery, methods of proper usage and storage and the benefits derived from proper usage, in terms of extended equipment life, reduced wear, lower downtime, improved production efficiency and over reduction in total cost of plant ownership.

Seminars are also conducted to educate their channel partners like distributors, dealers, independent multi-brand retailers and independent mechanics with the objective that they will develop better interpersonal relationship with channel members, improve affinity for the brand and result in their willingness to promote the brand.
These have contributed significantly to increasing awareness on lubricants amongst motorists by giving them an opportunity to focus their attention on an area generally ignored by them earlier, generate interest in the product category, comprehend its importance and develop brand connect by having a closer look at the lubricant packages and going through the package labels and information leaflets.

Oil change campaigns are one of the most prominent promotional strategies employed by lubricants marketers. These campaigns entail free labour charges in performing oil change services. Earlier oil change used to be carried out by draining out the used and degraded oil by gravity. In recent times, oil change machines have been developed to vacuum clean the interior of the oil sump of all traces of degraded oil clinging to the walls of the oil sump, thereby preventing the fresh oil from getting contaminated with traces of the remnant degraded oil. However, usage of these machines is yet to take off in authorised as well as independent workshops. Oil change campaigns for carrying out oil change service using these machines, without any extra charge towards the service rendered has been attracting customers, as they perceive greater value, compared to traditional oil change method. Fuel stations which have been losing out to lubricant shops have become successful in bringing lubricant sales back to their forecourt, by such campaigns. These campaigns have also been extended at residential complexes and market places.
Free gifts, giveaways through scratch cards, lucky draw prizes, price offs and free extra quantities are some of the most prevalent customer promotional schemes introduced by lubricants marketers.

They have also resorted to extended channel and trade incentive programmes. The most commonly used amongst them are turnover incentive on achieving quarterly and annual volumes, trade discounts on lifting target quantities of particular stock keeping units, loyalty schemes, incentives on sales growth volumes and incentives on promoting premium grades.

Companies have engaged in workshop activation programmes including mechanic training and certification, workshop upgradation, professionalization and adoption, coupled with workshop branding. Mechanic loyalty schemes in various hues, operationalization mechanisms have been introduced. These include cash, silver or gold coins in pouches inserted inside lubricant pails of 10, 15 and 20 ltrs sizes, mechanic scratch coupons on label of packs, mentioning points, convertible to cash or passbooks for regularly crediting loyalty points on purchase incidences, to be redeemed for high value gifts on reaching requisite redemption slabs. Group tours, parties, night outs, invitation to entertainment shows and sports events for mechanics have also been practiced by companies to enhance brand association.

Marketers have regularly engaged in the above and they continue to innovate in their promotional and incentive programmes to entice channel partners.
1.7 CONSUMER BUYING BEHAVIOUR

The study of consumer behaviour relates to understanding the decision making process of consumers, encompassing the impact of external factors like marketing mix interventions of marketers and environmental influence as well the impact of their own internal factors, resulting in purchase of a product of a brand, in certain quantity, at a time and from a sales outlet of their choice.

Marketing mix factors effectively arouse the latent need in consumers for a product and effectively motivate them to exhibit the marketer induced purchase behaviours.

Environmental factors include cultural factors and social factors. The culture, sub-culture or social class to which the consumer belongs or aspires to belong, collectively displays attitudes and behaviours in consonance with accepted profligacy, parsimony, conservatism and individualism norms, which impacts purchase decision making process of its members. Social factors like family, individual’s role, status, membership of normative social groups play a significant role in shaping a consumer’s decision.

Internal factors including personal factors and psychological factors play the final pivotal role, in purchase decisions of consumers. The consumer’s maturity in terms of age, life cycle stage, occupation, disposable income and lifestyle pursued by the consumer sway their decisions. Psychological factors like attitudes, beliefs, awareness, perception, understanding, motivation coupled with the diverse states of feelings like depression, delight,
achievement, fulfillment and morality guide the consumer in arriving at purchase decisions.

The purchase decision itself involves the passage through stages of problem or need recognition, information search, evaluation of alternatives and decision, followed by post purchase behaviour. The decision process may be intense or casual depending on the perception of consumers on the extent of differentiation between brands and the extent of their involvement in the purchase process. Complex buying behavior is exhibited in case of deciding between brands with significant differences in case of high involvement category products, whereas the process becomes more relaxed, exploratory and adventurous to culminate into a variety seeking buying behaviour in case of low involvement category products. Likewise in case of deciding between brands with little difference between them for a high involvement category product, dissonance reducing behaviour is exhibited, which degenerates into a habitual buying behaviour for a low involvement category product.

However, in case of purchase of innovative products, according to the Innovation Adoption model of Rogers (2003), consumers progress through the cognitive stage of awareness, to the affective stage of interest and evaluation to the final behavioral stage of trial and adoption.
1.8 RESEARCH PROBLEM STATEMENT

1.8.1 Organisations continually upgrade and launch new products and services to differentiate from and stay ahead of offerings of competitors by undertaking elaborate processes for such launch. However, many new product launches have been grossly unsuccessful.

1.8.2 Advancement of automotive engine technology has necessitated higher performance synthetic as well as semi-synthetic lubricants. However, adoption and usage of synthetic lubricants for two-wheelers has met with muted response in India.

1.8.3 Lubricants marketing companies have positioned their products in a vast array of outlet types and used various modes of promotions, which have yielded limited results. Given the low involvement product category, effective promotional mix remains a challenge.

1.8.4 Lubricants users are subject to influence of mechanics and their role in promoting synthetic lubricants needs better understanding.