Competitive Strategies of Major Automotive Lubricant Business in Bangkok

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ABSTRACT

The lubricants industry is well on its way to becoming a global business. Major international firms like ExxonMobil, Shell, BP, and Chevron, even Thai National Oil Company; PTT are getting even larger and account for an even more significant market share of the global lubricants business. Competitive strategy concerns what a firm is doing in order to gain sustainable competitive advantage. The objective of this study is to establish the competitive strategies employed by major automotive lubricants, examine characteristic of automotive lubricant buyers, analyze the different consumer factors and also trust factor that influence consumer behaviors and develop competitive marketing mix 4 Ps to analyze consumer behavior.

The study explored characteristics of marketers/factors that influence the competitiveness and hence adoption of the various competitive strategies. This research was focusing on major brands automotive lubricant top 5 companies in year 2012-2013 who had the most share market in Thailand and Thai consumers who live in Bangkok metropolitan area. The duration of this research was from May, 2014 to August, 2014. The study was done by exploratory research, in-depth interview with major automotive lubricant companies and questionnaire direct to consumer in Bangkok metropolitan. Primary data was used in this study and was collected through questionnaires administered through a combination of drop and pick, face to face interviews. The results show that economic factors and intense rivalry within existing marketers was found to have the greatest influence on the organizations competitive strategies. However the factors influencing competition in the lubricants business to the greatest extent were external environment such as macro & micro economic and also internal environment such as cost of leadership, differentiation and focus. All of major automotive lubricants marketers have responded to this by getting into distributorship agreements with global partners, enhancing their service levels and improving their overall technical capabilities.

Keywords: Competitive Strategies, Competitive Advantage, Marketing Mix 4Ps, Consumer Behavior, Macro & Micro Economic.

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INTRODUCTION

The lubricants industry is well on its way to becoming a global business. Major international firms like ExxonMobil, Shell, BP, and Chevron, even Thai National Oil Company; PTT continue to expand and increase their market share of the global lubricants business.

Automotive lubricant sales volumes have risen from 504 million liters in 2007 to 572 million liters in 2012, and predicted a hike to 610 million liters in 2013. Five major oil companies active in Thailand – PTT, Shell, Esso/Mobil, Chevron and Bangchak – together sold 350 million liters of lubes last year, up from 300 million liters in 2005. PTT Lubricants is Thailand’s dominant supplier; in 2012 it sold 143 million liters to claim 25 percent of the domestic lube market. Other top suppliers were: Shell (19.5 percent), Castrol/BP (10 percent), Esso/Mobil (7.4 percent), Chevron (6 percent), Idemitsu (5 percent), Pulzar (4.7 percent), Bangchak (4.6 percent), Trane (3.6 percent), Veloil (0.6 percent). All others provided the remaining 13-plus percent (New Lube Report; July 31st, 2013).

The lubricant market in Thailand is fiercely competitive with makers of 170 brands expected to sell close to 610 million liters of finished lubes in 2013.

![Lubricant Automotive domestic in Thailand 2012](image)

Figure 1 Lubricant Automotive domestic in Thailand 2012

Total sell Volumes 572 Million Liters

Source: New Lube Report; July 31st, 2013

Competitive strategy in automotive lubricant market consists of the approaches and initiatives companies take to attract customers, withstand competitive pressures, and strengthen their market position. These would help automotive lubricant marketers to understand Thai consumers especially in the Bangkok area and to learn which strategies would give more benefit for their company.
MATERIALS AND METHODOLOGY

1. Research Design

In this research is exploratory research consist of both qualitative study and quantitative study. The qualitative study will be took place in major oil lubricant companies approaches through in-depth interviews to understand company strategies. For the quantitative study will be design and apply to customer or end-user who select automotive lubricant brand for their car and the information will be collected throughout questionnaire to understand buying behavior for automotive lubricant.

Qualitative Study; In-Depth Interview: This research was applied by using in-depth interviews with 5 marketing managers and sales managers who work with 5 major automotive lubricant companies according to lubricant automotive domestic in Thailand 2012.

Quantitative Study; Survey: The questionnaire was classified into 3 parts which are personal data of respondents and opinion level of customers towards the automotive lubricant market and marketing factors that affect buying decision for automotive lubricant market. The raw data was transformed into a form which is easy to understand and interpret.

Part I: General characteristic of respondents.

The first part of the questionnaire was about the demographic; gender, age, level of education, occupation and income level to identify buyer characteristic.

Part II: Consumers buying behavior 7O’s toward the automotive lubricant market.

Second part of the questionnaire was about the consumer behavior 7O’s; Occupants, Object, Objectives, Organizations, Operations, Occasion and Outlets to identify consumer behavior.

Part III: Marketing factor affecting the buying decision in automotive lubricant market.

The marketing mix in this study were product, price, place, promotion, people, process and physical evidence. The questionnaire was designed to have a rating scale from 1 to 5 adapted from the Likert scale in this part.

2. Data Collection

In-depth interview: There are key characteristics that differentiate an in-depth interview method, qualitative research interview from a regular interview, Open-ended Questions and record respond.

Survey: Pre-testing 30 copies of questionnaires was distributing to automotive lubricant consumer in the pre-testing in order to check the reliability of the questionnaire. These respondents would not be used again when the actual survey occurred. The objectives of pre-testing were to ensure that the respondents understand the questions and are able to answer each question without any difficulty in terms of language used in the question as well as the flow of the order to subsequent questions. Convenience sampling was used in this study by focusing on automotive lubricant customers who went around to modern trades, garages and petrol stations. The
questionnaires were sent to consumers and taken in person by the researcher until the practical sample size reached 400 people. The population in this study is Thai consumers who had experience to buy automotive lubricant from modern trades, garages and petrol stations in Bangkok metropolitan area. An unknown number represents the total number of consumers who purchased automotive lubricant from distributor channels in Bangkok. Due to time constraints, the sample size was calculated using Cochran’s formula (1963: 75). The researcher desired a 95% confidence level.

Before entering the data into a computer the researcher has to check the integrity of the data from the questionnaires and whether all of questions were filled completely in every part. The Editing process was the preparation process for conducting the data in the part of coding and transferring to data storage. Part I, II, III: The data were pre-coded in numerical form and entered into the computer. Finally, the data was analyzed as descriptive statistics and inferential statistics by using statistic method t-test and One-way ANOVA (f-test). Descriptive statistic includes frequency, percentages, and means to describe the data, such as demographic data, consumer behavior of Bangkok area the degree of importance of Marketing Factor.

RESULTS AND DISCUSSION

1. Result from in-depth interview of major automotive lubricant brands

The study was to determine Competitive strategies used by top 5 major automotive lubricant marketers in Bangkok and the characteristics of the buyer in the market. The study was by way of consensus survey and in-depth interview. It was established that the respondents were also involved in the marketing of other petroleum products with automotive lubricants being one of the business lines. It was also evident that the major automotive lubricant marketers apart from one respondent have limited number of retail outlets. This is in contrast to the major lubricants marketers who have a heavy presence in the retail network.

The study also sought to establish the most important dimension when determining their competitive strategy. It found that distribution ranked as the most important. This is in line with the findings that most automotive lubricants marketers have limited number of retail outlets and getting their products to the end customer becomes an important dimension. This is an industry where constraints of the infrastructure dictate the pace of growth rather than existing opportunities in the market place.

The study established that the factors that the most competition in the Lubricants business were brand loyalty and Original car manufacturers’ recommendations. This is a reflection of the dominant position of the major oil companies who invested heavily in their brands and in setting OEM recommendations as part of their competitive strategy. These Research and development,
design, and branding-based advantages of multinationals will continue being a key factor influencing competition given the technological advances being made in automotive lubrication. However the huge capital investment requirements limits the pool of likely entrants.

The research established that the exit of major automotive lubricants to compete with other brands have resulted in removal of entry barriers by opening the market and making it more receptive to other brands. Customers are sometimes paying attention to new automotive lubricant brands and the existing major automotive lubricant marketers had to undertake training of their staff in order to realize sales. It was established there is an overall reduction in industry technical capability, more room for innovative solutions, stability in pricing, reduced standards of safety and tapping into global technologies. So, every major brand marketers had to improve their processes by bench-marking against best practices and have benefited from availability of knowledgeable staff seller and reseller from the existing brand.

The study sought to establish, how major automotive lubricants marketers were handling competition. This study introduced the various competitive strategies adopted by the different marketers to remain competitive. The questionnaire sought five strategies that the marketers could use. They were; product, service and price offerings, product distribution, marketing and human resources. Service offering followed by product offer were established as the most important as part of the organization strategy. Product distribution was considered extremely important. The study established that the most competitive methods used by major automotive lubricant marketers were as follows: strict product quality control, operating efficiency/cost control, premium product quality and extensive customer service.

2. Result from consumers survey

**Table 1** Result of demographic in the same group and different type of sample

<table>
<thead>
<tr>
<th>Demographic</th>
<th>Gender</th>
<th>Age</th>
<th>Education</th>
<th>Occupation</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
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<tr>
<td></td>
<td>Female</td>
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<tr>
<td></td>
<td>Less than 20</td>
<td>21-30</td>
<td>31-40</td>
<td>41-60</td>
<td>61-80</td>
</tr>
<tr>
<td></td>
<td>Primary school</td>
<td>High school</td>
<td>Bachelor degree</td>
<td>Master degree</td>
<td>Ph. D.</td>
</tr>
<tr>
<td>n</td>
<td>252</td>
<td>148</td>
<td>10</td>
<td>118</td>
<td>132</td>
</tr>
<tr>
<td>%</td>
<td>63</td>
<td>37</td>
<td>2.5</td>
<td>29.5</td>
<td>33</td>
</tr>
<tr>
<td>Total %</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

The results from table 1 showed overall of any type of sample (n=400) that how much the number and percentage of sample that were corrected and separated. From the table, there have 5 different type: gender, age, education, occupation and income.
Table 2 Different buyer characteristics factors affecting consumer behaviors of automotive lubricant buying decision.

<table>
<thead>
<tr>
<th>Demographic</th>
<th>Gender</th>
<th>Age</th>
<th>Education</th>
<th>Occupation</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ever used AL in 6 months</td>
<td>$\chi^2 = 3.78$ Sig. = 0.052 $\chi^2 = 16.63^<em>$ Sig. = 0.005 $\chi^2 = 11.74^</em>$ Sig. = 0.009 $\chi^2 = 22.59^<em>$ Sig. = 0.000 $\chi^2 = 62.88^</em>$ Sig. = 0.000</td>
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<tr>
<td>Car type</td>
<td>$\chi^2 = 37.99^<em>$ Sig. = 0.000 $\chi^2 = 168.54^</em>$ Sig. = 0.000 $\chi^2 = 202.44^<em>$ Sig. = 0.000 $\chi^2 = 102.65^</em>$ Sig. = 0.000 $\chi^2 = 331.16^*$ Sig. = 0.000</td>
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<tr>
<td>AL type</td>
<td>$\chi^2 = 10.15^<em>$ Sig. = 0.000 $\chi^2 = 81.12^</em>$ Sig. = 0.000 $\chi^2 = 94.63^<em>$ Sig. = 0.000 $\chi^2 = 71.62^</em>$ Sig. = 0.000 $\chi^2 = 199.93^*$ Sig. = 0.000</td>
<td></td>
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<tr>
<td>AL brand</td>
<td>$\chi^2 = 24.20^<em>$ Sig. = 0.000 $\chi^2 = 113.89^</em>$ Sig. = 0.000 $\chi^2 = 94.63^<em>$ Sig. = 0.000 $\chi^2 = 114.67^</em>$ Sig. = 0.000 $\chi^2 = 279.70^*$ Sig. = 0.000</td>
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<tr>
<td>Influence person</td>
<td>$\chi^2 = 37.74^<em>$ Sig. = 0.000 $\chi^2 = 244.34^</em>$ Sig. = 0.000 $\chi^2 = 146.03^<em>$ Sig. = 0.000 $\chi^2 = 122.06^</em>$ Sig. = 0.000 $\chi^2 = 123.07^*$ Sig. = 0.000</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Advertisement</td>
<td>$\chi^2 = 71.11^<em>$ Sig. = 0.000 $\chi^2 = 137.11^</em>$ Sig. = 0.000 $\chi^2 = 92.87^<em>$ Sig. = 0.000 $\chi^2 = 285.05^</em>$ Sig. = 0.000 $\chi^2 = 212.71^*$ Sig. = 0.000</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Reason to change AL</td>
<td>$\chi^2 = 37.99^<em>$ Sig. = 0.000 $\chi^2 = 70.48^</em>$ Sig. = 0.000 $\chi^2 = 62.97^<em>$ Sig. = 0.000 $\chi^2 = 169.98^</em>$ Sig. = 0.000 $\chi^2 = 166.83^*$ Sig. = 0.000</td>
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</tr>
<tr>
<td>Money spend per time to change AL</td>
<td>$\chi^2 = 28.58^<em>$ Sig. = 0.000 $\chi^2 = 191.92^</em>$ Sig. = 0.000 $\chi^2 = 83.21^<em>$ Sig. = 0.000 $\chi^2 = 272.18^</em>$ Sig. = 0.000 $\chi^2 = 244.56^*$ Sig. = 0.000</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Change AL in 5 months</td>
<td>$\chi^2 = 20.80^<em>$ Sig. = 0.001 $\chi^2 = 285.05^</em>$ Sig. = 0.000 $\chi^2 = 86.59^<em>$ Sig. = 0.000 $\chi^2 = 329.93^</em>$ Sig. = 0.000 $\chi^2 = 346.59^*$ Sig. = 0.000</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Where the most important to buy AL</td>
<td>$\chi^2 = 33.96^<em>$ Sig. = 0.000 $\chi^2 = 367.94^</em>$ Sig. = 0.000 $\chi^2 = 93.66^<em>$ Sig. = 0.000 $\chi^2 = 218.03^</em>$ Sig. = 0.000 $\chi^2 = 214.89^*$ Sig. = 0.000</td>
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</tbody>
</table>

* = difference at 0.05 significant level

The results from table 2 showed that almost different buyer characteristics factors were effective to consumer behaviors except the relation between gender and consumer who ever use automotive lubricant in 6 months.

Table 3 Different buyer characteristics factors affecting Marketing Mix 4P factors

<table>
<thead>
<tr>
<th>Demographic</th>
<th>Gender</th>
<th>Age</th>
<th>Education</th>
<th>Occupation</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>t = 2.06* Sig. = 0.040 F = 4.68* Sig. = 0.000 F = 2.46* Sig. = 0.045 F = 30.35* Sig. = 0.000 F = 13.86* Sig. = 0.000</td>
<td></td>
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</tr>
<tr>
<td>Price</td>
<td>t = -0.76 Sig. = 0.447 F = 1.21 Sig. = 0.306 F = 15.01* Sig. = 0.000 F = 4.02* Sig. = 0.003 F = 7.21* Sig. = 0.000</td>
<td></td>
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</tr>
<tr>
<td>Place</td>
<td>t = -1.88 Sig. = 0.061 F = 3.97* Sig. = 0.002 F = 18.47* Sig. = 0.000 F = 12.94* Sig. = 0.000 F = 10.90* Sig. = 0.000</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Promotion</td>
<td>t = 5.53* Sig. = 0.000 F = 5.94* Sig. = 0.000 F = 6.69* Sig. = 0.000 F = 25.68* Sig. = 0.000 F = 8.92* Sig. = 0.000</td>
<td></td>
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<tr>
<td>Overall</td>
<td>t = 3.10* Sig. = 0.002 F = 6.42* Sig. = 0.000 F = 10.19* Sig. = 0.000 F = 26.85* Sig. = 0.000 F = 16.85* Sig. = 0.000</td>
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</tbody>
</table>

* = difference at 0.05 significant level

The results from table 3 showed that almost of different buyer characteristics factors were affective to marketing mix 4 Ps factors except the relation between gender-price, gender-place and age-price.

Therefore competitive strategies of automotive lubricant business in Bangkok should be focused on marketing mix 4 Ps in term of overall significant level and focus on every types of consumer behaviors except gender who ever use automotive lubricant in 6 months, however to set up competitive strategies for Product, Price, Place and Promotion with link to consumer behaviors, it has to consider with external factor (macro & micro economic) and internal factor (cost leadership, differentiation and focus).

3. Limitations of the study

This study was limited in several dimensions. The researcher noted that there are major
automotive lubricant brand who import lubricants and sell in Bangkok and Thailand whose statistics are neither captured in the ministry of energy data nor that of Petroleum Institute of Thailand. Time limitations during Thai political disruptions earlier this year (2014) constrained the researcher from obtaining future planning policies from major automotive lubricant companies. Further, some companies refrained from disclosing their policies because those internal strategy policies are proprietary.

4. Recommendation from the study

The study established that the automotive lubricants market is very competitive with the most major automotive lubricants marketers indicating that economic factors were the most influential external factors in determining their competitive strategy in the last two years. The study also sought to establish the most important dimension when determining their competitive strategy. It found that distribution ranked as the most important. This is in line with the findings that most automotive lubricants marketers have limited number of retail outlets and getting their products to the end customer becomes an important dimension. This is an industry where constraints of the infrastructure dictate the pace of growth rather than existing opportunities in the market place.

On the factors influencing competition in the Lubricants business to the greatest extent, the study established that these were brand loyalty and original car manufacturers’ recommendations. This is a reflection of the dominance of the automotive lubricant industry by the major oil companies who had invested heavily in their brands and in acquiring OEM recommendations as part of their competitive strategy. These research and development, design, and branding-based advantages of multinationals will continue being a key factor influencing competition given the technological advances being made in automotive lubrication. The huge capital requirement for this limits the pool of likely entrants.

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CONCLUSION

In conclusion, from the competitive methods above and the research findings, it can be concluded that major automotive lubricants marketers largely pursue differentiation and cost-leadership strategy. Differentiation strategy is demonstrated on the extensive use of extensive customer service, marketing innovation, influence over distribution channels, new product development and building and maintaining brand equity. This is demonstrated further by the fact that most major automotive lubricants marketers have entered into exclusive distributorship agreements with overseas contract with the OEM car brand to compete with cost-leadership strategy. The study reveals uses extensively operating efficiently /cost control and managing raw material costs and availability. The least used method however is pricing below competitors.

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REFERENCES


