

JOBBERSWORLD SURVEY

Lubricant Quality

JobbersWorld is a
Petroleum Trends International, Inc. publication.

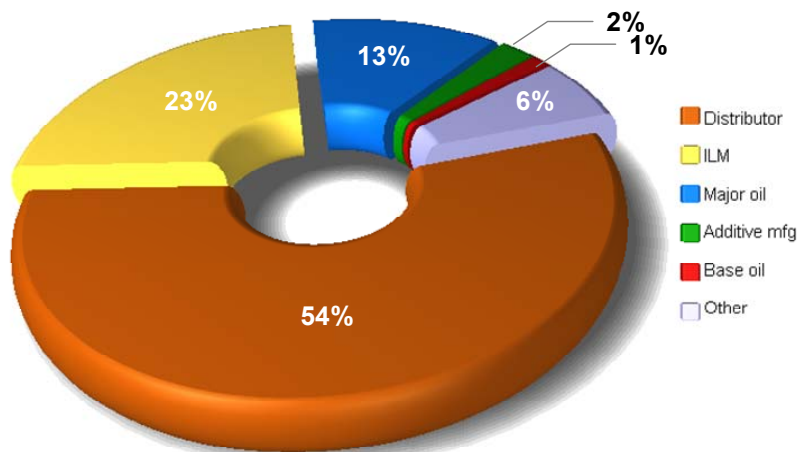
JobbersWorld conducted a survey last month examining the perceptions of its readers with regards to the quality of lubricants in the US market. The survey comprised seven closed- and open-ended questions. Although we received well over 500 responses to the survey, this report presents data on the 373 complete responses to the survey. Below are the results and observations of the survey.

Demographics

It's important to recognize that JobbersWorld is a publication that specifically targets lubricant distributors. As such, the demographic reflect this bias with 54% of the responses coming from lubricant distributors. Independent lubricant manufacturers (ILM) account for 23% of the responses, as shown in Figure 1.

What best describes your company's business activity:

Figure 1
Distribution of Respondents



Note: Does not add to 100% due to rounding.

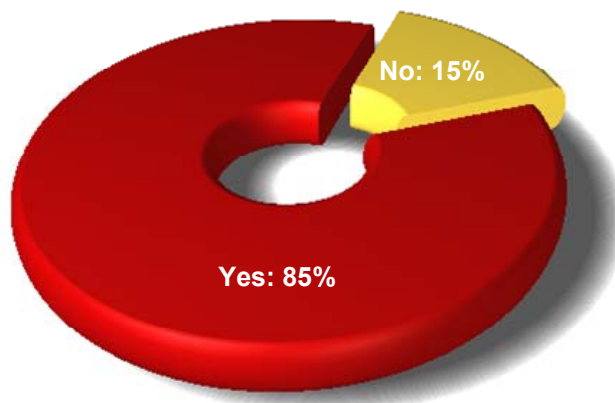


Quality

Do you feel there is an issue with low quality and/or off-spec lubricants in the market?

Eighty five percent (85%) of the total say “yes” there is an issue with low quality and/or off-spec lubricant in the market. Only 15% say there is not, as shown in Figure 2.

Figure 2
Do you feel there is an issue with low quality and/or off spec lubricants in the market?



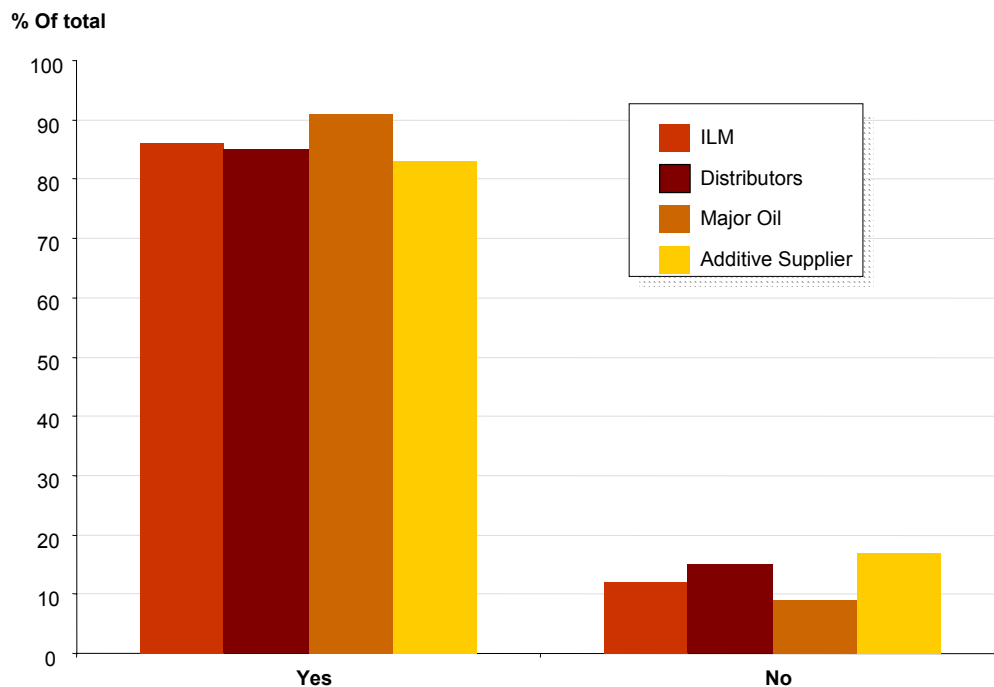
Source: Petroleum Trends International, Inc.

Interestingly, the responses to this question were relatively consistent among lubricant distributors, major oil companies, independent lubricant manufacturers, and additive suppliers. As illustrated in Figure 3 each group feels strongly there is an issue with low quality and/or off-spec lubricants in the US market.

Although responses to this question are consistent among the groups, it's also interesting to see that whereas 85% of the total responded to this question with “yes,” over 90% of the major oil companies feel there is an issue with low quality/off-spec lubricants.

As anticipated, the majors are more concerned about the quality of lubricants in the marketplace than other classes of trade in this survey. This is believed to be a function of what the majors see as a significant threat coming from private label and “off-brand” lubricants. It may also help explain why Shell and Valvoline recently announced new initiatives to address quality concerns.

Figure 3
Do you feel there is an issue with low quality and/or off-spec lubricants in the market?

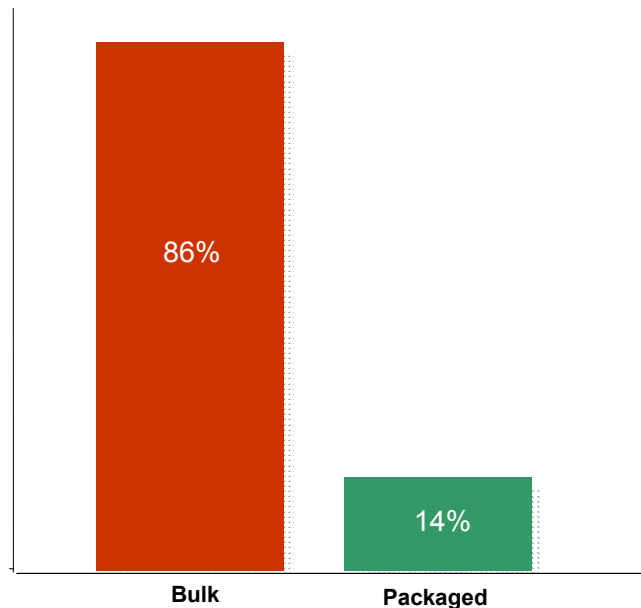


Source: Petroleum Trends International, Inc.

Is the issue of low quality/off-spec oil more concerning in bulk or packaged products?

The majority (86%) of the total respondents to this question say the issue of low quality/off-spec oil is more concerning for bulk than it is for packaged lubricants. Interestingly, independent lubricant manufacturers differ significantly from the total with regards to this question. Whereas 86% of the total point to bulk as the most concerning area, 68% of independent lubricant manufacturers say bulk is the more concerning area.

Figure 4
Is the issue of low quality/off-spec oil more concerning in bulk or packaged products?

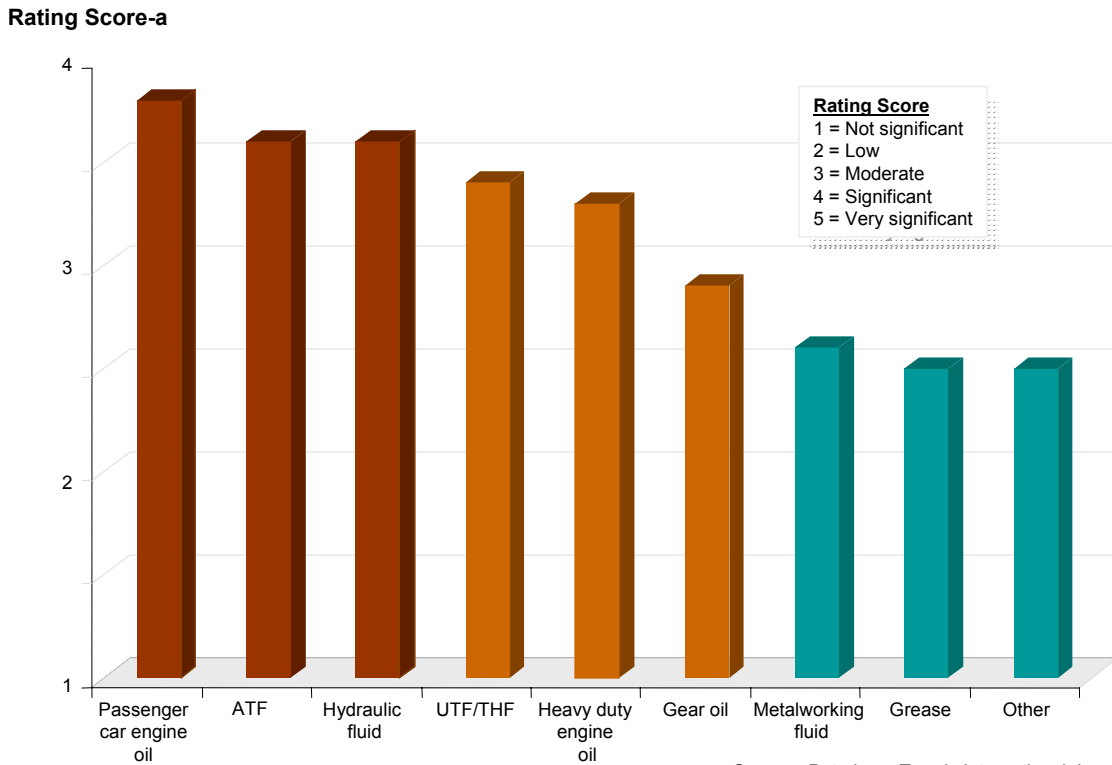


Source: Petroleum Trends International, Inc.

How significant is the issue of quality for each lubricant type below?

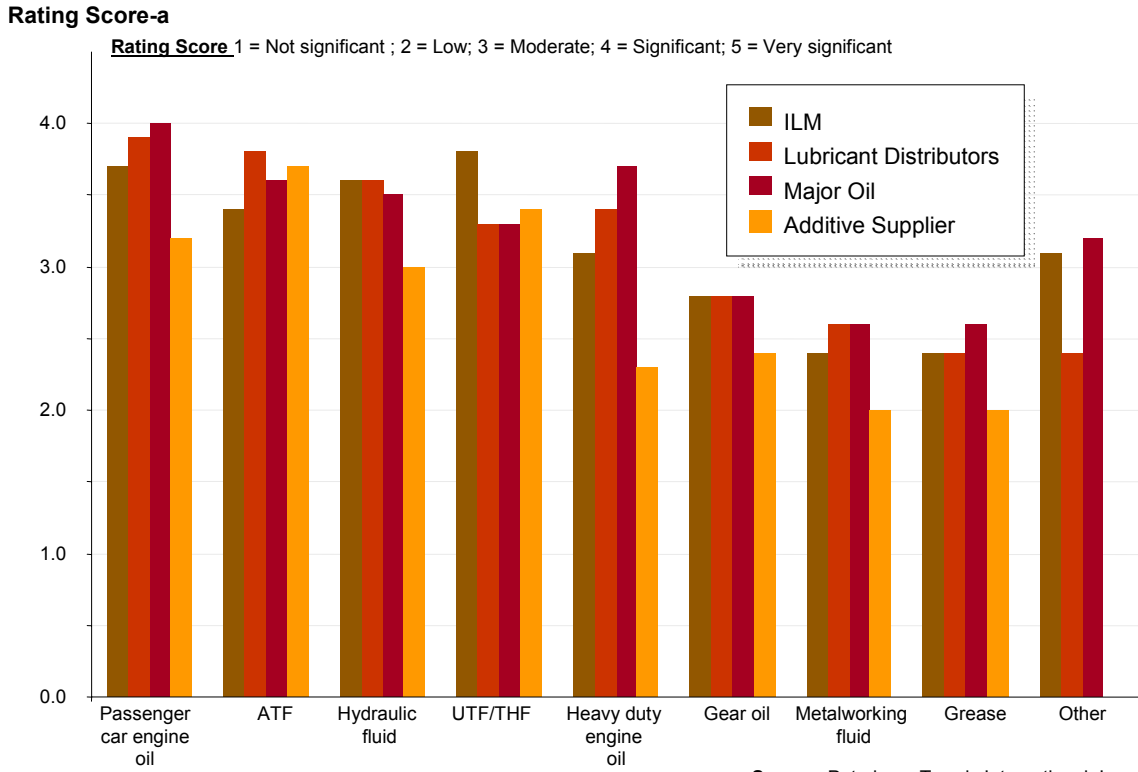
Respondents to the survey feel the issue of low quality/off-spec oil is most concerning with passenger car engine oil (PCEO). Two issues of particular concern is unlicensed product positioned as licensed, and licensed product some say is of questionable quality. The quality of automatic transmission fluid (ATF) and hydraulic fluid are tied for the second most concerning lubricant types.

Figure 5
How significant is the issue for each lubricant type below?



a-The Rating Score is the weighted average calculated by dividing the sum of all weighted ratings by the number of total responses.

Figure 6
How significant is the issue for each lubricant type below?



a-The Rating Score is the weighted average calculated by dividing the sum of all weighted ratings by the number of total responses.

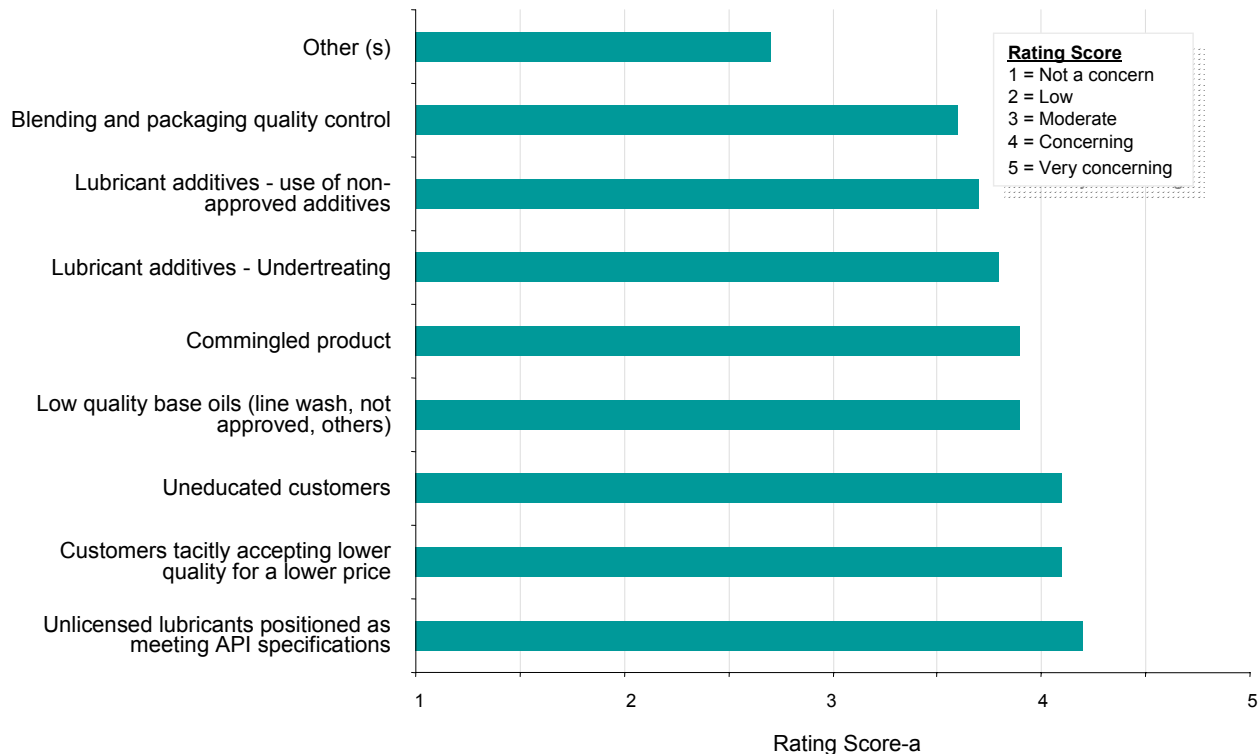
If you feel there are issues with the quality of lubricants in the market, how concerning are the following with regards to their contribution to the problem?

The leading concern given with regards to the quality of lubricant in the market is unlicensed lubricant positioned as meeting API specifications. This typically means a producer or marketer that sells lubricant with a statement similar to “although it is not API licensed, it would meet API requirements if tested.” Some reportedly offer two products, one marketed as licensed API SM and another as unlicensed API SM. The unlicensed API product is usually available at a price point below that of the licensed.

Another area of high concern is customers tacitly accepting lower quality lubricant for a lower price. This issue is reportedly a growing concern in today’s economy in that price tends to be a stronger driver when economy is down. As a result, respondents to the survey say some buyers are less willing to challenge quality if they can get a better price.

The third area of high concern is uneducated customers. Whereas most in the lubricants industry know what SM GF-4, CJ-4, and other specifications mean, respondents to the survey say consumers remain relatively uneducated about these specifications. And rather than asking questions, they assume those who change their oil are doing what is right and best for their vehicles.

Figure 7
If you feel there are issues with the quality of lubricants in the market, how concerning are the following with regards to their contribution to the problem?



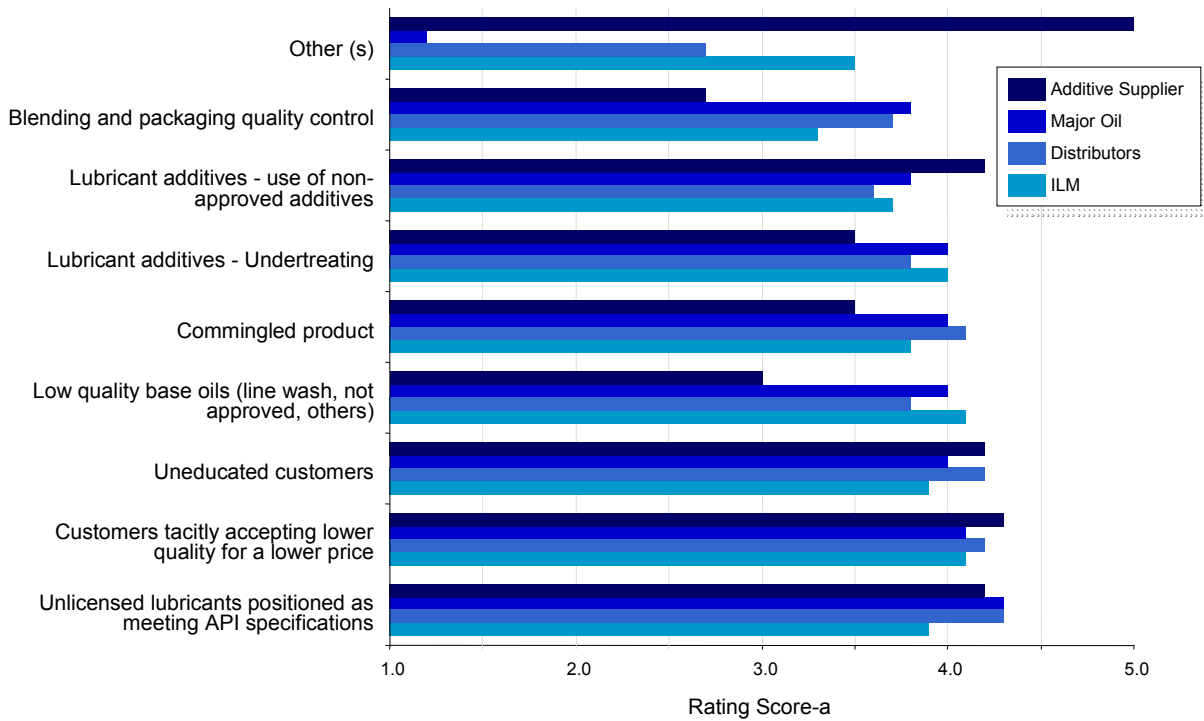
Source: Petroleum Trends International, Inc.

a-The Rating Score is the weighted average calculated by dividing the sum of all weighted ratings by the number of total responses.



Independent lubricant manufacturers also differ from the total in regards to this question.

Figure 8
If you feel there are issues with the quality of lubricants in the market, how concerning are the following with regards to their contribution to the problem?



Source: Petroleum Trends International, Inc.

a-The Rating Score is the weighted average calculated by dividing the sum of all weighted ratings by the number of total responses.



What do you feel can be done to improve the quality of lubricants in the market?

Although one of the most telling issues uncovered in this survey is that most in the industry believe there is a problem with low quality/off-spec lubricants in the market, the second most important finding is what they feel can and should be done about it.

The following are suggestions offered by respondents to the survey.

- We need to have a standard for what a Synthetic Blend PCMO is Somehow make suppliers and distributors tell the truth about what they are providing
- Don't really have any solution to the problem. Until customers demand on-spec products, problem will continue. High prices for finished lubes makes the problem worse.
- Stricter enforcement. Random sampling.
- The label claims should be monitored and reported when off spec. If a company is caught selling off spec products then they should be called out to the industry through trade publications or some accepted way.
- Police the distributors through a commission funded by the industry.
- Do more testing a marketer level for quality. Many Oil marketers are putting low quality product in customer tanks and calling it something different.

- More regulation and testing at the manufacturing level. API licenses formulations- current enforcement process doesn't seem to be curbing unlicensed products being represented as licensed product in the market place. An API license is presented to the consumer as proof of the product quality even though the product sold is not the same formulation.
- Regulate the ILMA's
- ILMA needs a back-bone
- Better documentation and certification of product kept on site for review by Weights and Measure inspectors. more testing of product in the field for spec.
- Educate the market place with information that points out exactly what companies and products may be substandard with back-up data.
- MORE SHOWS
- Legal action
- State by state regulations and product testing.
- Stricter API regulations on all products
- In challenging economic times, it is not unusual for installers to look for short cuts by reducing the quality/price and positioning the products "as good" or even better than a "specification" product. Once examples of significant engine/equipment failures become public, the awareness might lead others not to pursue.
- Educate the customer.
- Strict enforcement of API specs and approvals. Customer education
- Quality always wins in the long run.
- The API must institute a stringent program testing bulk products. In addition, major oil companies must start testing product in the field to insure no commingled product
- Expand the API AMAP program.
- Drop pricing



- Make the private and rerefined producers address the quality of their products and inform the customer of what they are truly buying
- The majors & the large independents should form an association that can hire people to sample product sold to end users to search out the cheaters. Legitimate companies should have no problem with their product having surprise sampling done.
- Random testing of in tank bulk PCMO products at fast lubes, auto dealers and garages. Publish results of products, locations and lubricant distributor / manufacturers in Consumer Reports.
- Continue API and other standards
- More quality control by distributors.
- Lubricant distributors must understand quality issues and educate their customers. They must also refuse to sell off-spec oils.
- Spot checks by the licensing authorities
- Testing----Publishing
- Stricter control on approvals with action against those who are unlicensed. More effort should go into training / increasing awareness of the public.
- Occasional field testing of lubricants sold in bulk from customers tanks
- API could spend some money to educate the consumer. API can step up their AMAP program. OEMs could help spread the word as to how to spot low quality oil and what can happen if you use it.
- Additional spec info with simple explanations. Mentioning that the product is API licensed and approved.
- Companies that used reclaimed oils as basestock openly announce the fact that they do!
- Only allow bulk product to be sold as bulk, no repackaging. Field samples of bulk. Blenders should have to register with an agency that certifies the quality of products and submit to audits.
- Better regulations regarding specific marketing claims (suitable for use, recommended for, etc.) without a regulating body confirming statements, penalties for non-adherence to meeting claims, better quality procedures and monitoring of down stream practices, especially with storage and repackaging.
- The major oil companies need to do a better job in managing their base oil business in terms of spot buys to ILMA members and to increase their prices for line flush. Also we need better educated marketers with a desire to raise the level of customer quality expectations.
- There is no enforcement by API or the oil companies. Some majors are taking action but several have knowning "looked the other way"
- Unfortunately nothing will change unless the buyers demand it.
- Better job of policing products by the major oil companies and distributors.
- Educate the consumer
- More state and federal regulation and enforcement
- ILMA and API are doing a good job of identifying the culprits but the government needs to enforce and penalize offenders.
- Better monitoring by independent groups such as API and ILMA Ethics Committee
- The major oil companies should stop selling base oil and additives to the independent blenders. They are a blight on the market and are the reason customers feel that lube oils are a commodity. The feeling from the consumer is that all lubes are the same.
- Unannounced spot inspections and sample taking as a requirement of membership.
-
- Independent testing
- Validation of claims made by companies.

- Independent Round Robin Testing Of End Users Oil In A Published Format That Would Be Done Quarterly
 - Education of the customer as to why quality is important and will pay for itself. Conversely, that low cost/low quality products can actually cost the end user more in the long run. Make the consumer insist on quality. I am not confident that the industry can or will police itself.
 - Setting up a group to regulate all lubes, private or major.
 - Buying on more than just price - product and service must also be considered - better checks and balances by both the supplier and the consumer to keep all parties as honest as possible - sampling and testing of lubes to ensure product quality and that it meets specs
 - Make customers more aware of the possibilities as well as the potential problems with less than quality oils.
 - Make all end users aware of what's out there, and mandate API products to end users
 - Stricter regulation by majors of their own brands & what is manufactured with their base oils or add packages by others. They are making more than enough to afford to police what earns their profits.
 - Industry backed/sponsored cessation of supply to distributors that are known to follow such practices.
 - Educate the general public to find out what kind of oil is going into their vehicle.
 - More enforcement from API and other leaders.
 - Dedicated Distributors by Brand - and tighter controls and penalties for non-compliance
 - Test, Test, Test
 - New laws that includes the minimum level of quality (API/ACEA) of lubricants sold in the market, plus other standards to be accomplished by jobbers and suppliers.
 - Better education of customer base and of exactly what some of the other distributors are doing in regards to the blending of product and base oils(re-refined?)being used.
 - More random checking of product
 - Training for the different market segments is imperative.
 - Manufacturers and jobbers being held accountable for their actions.
 - Off the shelf or out of the barrel/tank testing by an independent lab with follow-up reporting of products.
 - Make the lube companies more accountable.
 - There should be some sort of indication for products that exceed specifications as opposed to just meeting minimum specs. There should be a minimum standard for base oils to be able to meet specifications. Unfortunately I am not sure how we can police dishonesty at the distributor level.
 - Implement testing program.
 - Monitoring and testing - full disclosure with regard to those who fail to sell a quality product.
 - Major oil companies aggressively targeting and enforcing marketers branding, unbranded products.
 - Online Lubricants. Register by type and approval for branded and unbranded products. The only way a company could use the spec would be to have a registered product with the database.
-
- - Industry testing of bulk tanks at the installer level and specification around what constitutes a blend product (specifically within the PCMO arena)
 - Integrity and relating the facts. Too many ads are misleading.
 - Enforcement of product categories and specifications. Some sort of fines or public list of companies that sell or market off spec oils.

- Have more stringent random testing. There are "Marketing Only" companies out there that claim to sell an API product, have great marketing materials and websites, yet buy inferior oil from the cheapest provider, who is not anywhere close to meeting API specs. It really hurts the legitimate upstanding companies.
- 1) Lower the cost & length of time required to gain approvals.
 - 2) Standardize approvals for Industrial Approvals
 - 3) Eliminate independent OEM specifications by consolidating these into one requirement
 - 4) Create independent review groups
 - State and federal regulation of retail garages or regulation of bulk lubricant dispensing.
 - A.P.I. should have the right to enforce/fine any company that does not meet their criteria.
 - Believe the API needs to be more in a leadership role than they are now.
 - State testing of products
 - If you are selling a unlicensed product you should have to make the customer aware that it isn't a licensed product
 - Continued random testing
 - I believe ILMA's initiatives are helping on the industry side. Unfortunately, a relatively uneducated consuming populace continues to support low quality (and low cost) lubricants in the marketplace, unknowingly subjecting their equipment to great risk.
 - API - Do your job!
 - Less Marketers
 - Education of the public by the majors to what's going on in the distribution of lubricants and the unethical practices of some of their suppliers.
 - More testing of products to make sure that they did not just pass the test one time. Better control on processes and distributor quality.
 - Industry wide cooperative program involving all players up and down the supply chain to ensure and document the quality of oil products sold to the end user.
 - The majors should be required to spot audit their distributor customer tanks and submit to API. The blenders should be required as part of API licensing be spot audited at their customers tank to verify they meet API specifications. Also, law should mandate that as least for engine oils the API spec is identified on the delivery ticket.
 - More in-field testing by licensing organizations.
 - Strict enforcement of API standards, including unannounced sampling testing and punitive legal action for non-compliance.
 - Have the major manufacturers explain the differences between a high quality product and a not so high quality product on the labels because majors have two lines of product in most cases that can confuse the end user.
 - Revealing which companies get caught with bad products. Right now off-spec products are identified by regulating agencies often, but names are not released. Repeat offenders should be published
 - Police distributors with testing, test at retail esp. bulk, get rid of the marginal distributors.

